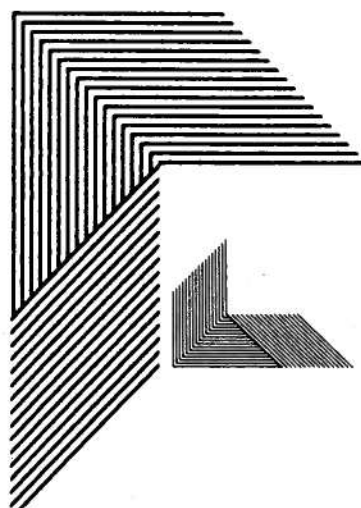
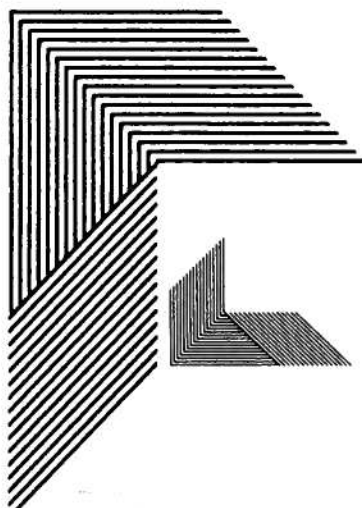
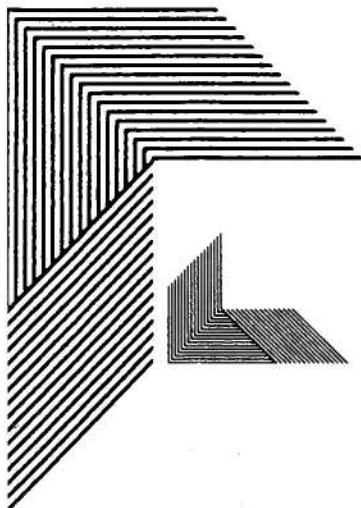
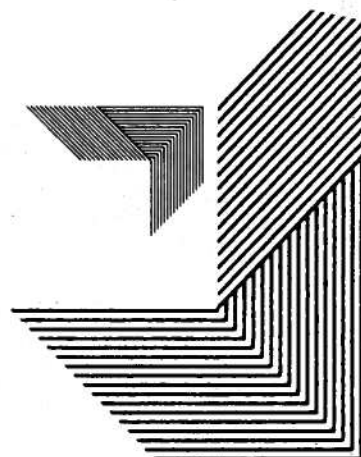
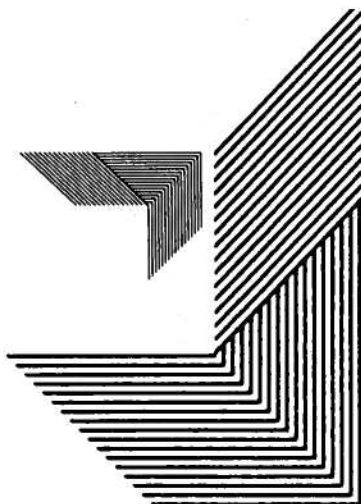
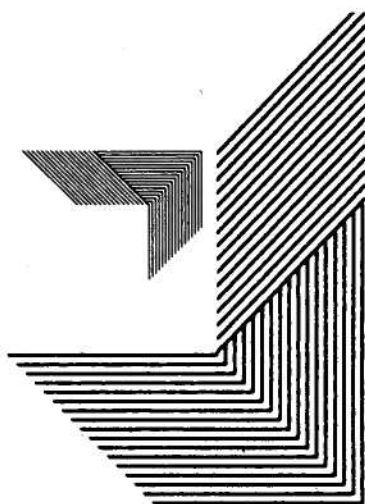


AUDIT REPORT NO. 78-5
DECEMBER 1979

FINANCIAL AUDIT OF THE DEPARTMENT OF EDUCATION

A REPORT TO THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF HAWAII



SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

THE OFFICE OF THE LEGISLATIVE AUDITOR

The office of the legislative auditor is a public agency attached to the Hawaii State legislature. It is established by Article VII, Section 10, of the Constitution of the State of Hawaii. The expenses of the office are financed through appropriations made by the legislature.

The primary function of this office is to strengthen the legislature's capabilities in making rational decisions with respect to authorizing public programs, setting program levels, and establishing fiscal policies and in conducting an effective review and appraisal of the performance of public agencies.

The office of the legislative auditor endeavors to fulfill this responsibility by carrying on the following activities.

1. Conducting examinations and tests of state agencies' planning, programming, and budgeting processes to determine the quality of these processes and thus the pertinence of the actions requested of the legislature by these agencies.
2. Conducting examinations and tests of state agencies' implementation processes to determine whether the laws, policies, and programs of the State are being carried out in an effective, efficient, and economical manner.
3. Conducting systematic and periodic examinations of all financial statements prepared by and for all state and county agencies to attest to their substantial accuracy and reliability.
4. Conducting tests of all internal control systems of state and local agencies to ensure that such systems are properly designed to safeguard the agencies' assets against loss from waste, fraud, error, etc.; to ensure the legality, accuracy, and reliability of the agencies' financial transaction records and statements; to promote efficient operations; and to encourage adherence to prescribed management policies.

5. Conducting special studies and investigations as may be directed by the legislature.

Hawaii's laws provide the legislative auditor with broad powers to examine and inspect all books, records, statements, documents, and all financial affairs of every state and local agency. However, the office exercises no control functions and is restricted to reviewing, evaluating, and reporting its findings and recommendations to the legislature and the governor. The independent, objective, and impartial manner in which the legislative auditor is required to conduct his examinations provides the basis for placing reliance on his findings and recommendations.



LEGISLATIVE AUDITOR
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**FINANCIAL AUDIT OF
THE DEPARTMENT OF EDUCATION**

**Conducted by the
Office of the Legislative Auditor
State of Hawaii**

and

**Coopers & Lybrand
Certified Public Accountants**

**A Report to the Governor and the Legislature of the
State of Hawaii**

**Submitted by the
Legislative Auditor of the State of Hawaii**

**Audit Report No. 79—5
December 1979**

FOREWORD

This financial audit report is the result of an examination of the financial statements and records of the state department of education for the fiscal year ended June 30, 1978. The audit was conducted by the office of the legislative auditor and the CPA firm of Coopers & Lybrand.

This report is divided into three parts. Part I contains an introduction and some background information on the department of education. Part II presents our findings, comments, and recommendations regarding the department's financial and accounting practices and displays the department's financial statements, including the audit opinion of the CPA firm on the accuracy of the department's financial statements. We have followed our customary practice of requesting the agency affected by the audit to comment on the findings and recommendations. Part III contains the department of education's response to this report.

We wish to express our sincere appreciation for the cooperation and assistance extended by the officers and staff of the department of education.

Clinton T. Tanimura
Legislative Auditor
State of Hawaii

December 1979

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PART I

INTRODUCTION AND BACKGROUND

Chapter 1

INTRODUCTION

This is a report of our financial audit of the department of education (DOE).

The audit was conducted pursuant to Hawaii Revised Statutes, section 23-4, which requires the state auditor to conduct post-audits of all transactions and of all books and accounts kept by or for all departments, offices, and agencies of the State and its political subdivisions.

Objectives of the Audit

The objectives of the audit were:

1. To determine the reasonable accuracy of the financial statements of DOE.
2. To ascertain whether or not expenditures and other disbursements were made and all revenues and other receipts to which the State is entitled have been collected and accounted for in accordance with state laws, rules and regulations, policies and procedures, and legislative intent as expressed in the general appropriations acts.
3. To assess the adequacy, effectiveness, and efficiency of the systems and procedures for financial accounting, reporting, and internal and

operational controls, and recommend improvements to such systems and procedures.

Scope of the Audit

This audit examined the financial statements of DOE for the fiscal year ended June 30, 1978. The audit opinion as to the reasonable accuracy of the financial statements is that of the independent certified public accounting firm of Coopers & Lybrand.

Organization of the Report

This report is organized into three parts.

Part I (chapters 1 and 2) presents this introduction and some background information on DOE.

Part II (chapters 3 and 4) presents our audit findings and recommendations on the financial and accounting practices and procedures of the department. It also includes the department's financial statements and the accountants' opinion on such statements.

Part III contains the response of DOE to our recommendations, together with our comments on the department's response.

Chapter 2

BACKGROUND

This chapter describes the functions and organization and activities of DOE.

Functions of the Department

By law, DOE is responsible for administering the programs of education and public instruction throughout the State, including preschool, primary, and secondary school education, vocational education under federal aid, adult education, instruction of exceptional children, and library services.

Organization and Activities

DOE is comprised of four organizational levels—board of education, state office, districts, and schools. Outside the formal organizational levels of DOE are advisory councils and commissions. A brief description of this organizational makeup follows.

Board. The affairs and activities of DOE are administered by an executive board known as the board of education. Responsibility for formulating educational policy and for managing and operating the state school system is assigned by statute to this board.

The board consists of nine elected members, two at-large from the counties of Hawaii, Maui, and Kauai, and seven from the city and county of Honolulu. The board exercises control over the public school system through

its executive officer, the state superintendent of education who is appointed by a majority vote of the members of the board and serves as its secretary.

State office. The state office is headed by the superintendent and is composed of four operating divisions. These operating divisions are as follows:

1. *Office of instructional services.* This office is responsible for the development and formulation of the State's curricula in general and special education. It also provides instructional support to districts and schools.

2. *Office of library services.* This office is responsible for providing comprehensive library services to the people of the State.

3. *Office of business services.* This office provides business and other administrative support services and assistance to DOE in the areas of financial records, payroll, procurement, construction, maintenance of school facilities and grounds, school transportation, and school lunch services.

4. *Office of personnel services.* This office provides DOE and its employees with recruitment, employment, personnel relations, welfare, benefits, career management, and development services.

Districts. There are seven school districts headed by district superintendents who are

responsible to the state superintendent. The district offices provide services to schools in their respective districts.

Schools. The schools are headed by principals who report to their respective district superintendents. Schools are generally organized by elementary, intermediate, and high school grade levels, although there are some variations of this basic pattern.

Advisory councils and commissions. Outside the formal organization are advisory councils and commissions. These advisory units are established by law and its members are appointed by the governor. They advise the board of education and the district superintendent and serve as liaison between the department and the public. The advisory units are as follows:

1. *School advisory councils.* Seven district school advisory councils, one in each

district, advise the board of education on school problems that require policy resolution. Each advisory council is comprised of five members, except that the Hawaii district council has seven members.

2. *State advisory council for adult education.* Fifteen or more representatives of industry, labor, civic organizations, and education function as an advisory council for adult education.

3. *Affirmative action advisory council.* This council monitors the department's progress in implementing affirmative action plans, and studies and advises the board of education on all affirmative action matters.

4. *Library advisory commissions.* Each of the four counties has a library advisory commission whose function is to advise the board of education on all matters relating to public library services in the county.

PART II

FINDINGS AND RECOMMENDATIONS

Chapter 3

FINANCIAL ACCOUNTING AND INTERNAL CONTROL

This chapter assesses DOE's financial accounting practices and internal control systems. Although the primary focus is on the practices presently followed by DOE, this chapter also discusses specific internal control deficiencies brought to DOE's attention in our 1973 financial audit of the department which we found have not yet been corrected.¹

Summary of Findings

Our findings are as follows:

1. Schools are spending more than their quarterly allotments. Overspending occurs because the schools' accounting records are inaccurate and incomplete, and expenditures are not being properly monitored by the districts.
2. DOE failed to comply with a fiscal requirement imposed by the state General Appropriations Act of 1977.
3. The records of several trust funds are inadequate and incomplete. In addition, some trust fund receipts are not being deposited into the state treasury, and money is improperly being held in a trust fund.
4. Federal funds are being lost because monthly status reports on the availability of federal grant monies are not being reviewed.
5. Internal controls over the purchasing system are inadequate.

6. Overtime claims and work attendance reports are not being properly processed.

7. Controls over revenue collections are not adequate.

Expenditures Exceeding Allotments

Funds for the regular instruction program are appropriated on a school-by-school basis; however, the aggregate of the appropriations to the various schools is considered as a single appropriation for the purposes of the State's allotment control system. This means that the director of finance's quarterly allotments of the funds appropriated are made in the aggregate to DOE and that it is DOE's responsibility to make allotments to the schools. DOE allots the amounts appropriated to it to the districts and the districts in turn allocate to each school the amounts necessary to defray operating costs. School expenditure plans are based on the amounts allotted. All monies not expended or encumbered in any given quarter revert to the designated appropriation. Any monies from an appropriation remaining unexpended and unencumbered at the close of the fiscal year lapse to the state general fund.

Overspending by schools. Our examination revealed that numerous schools are spending more than their quarterly allotments. While the

¹See Legislative Auditor's report entitled, *Financial Audit of the Department of Education*, Audit Report No. 73-3, March 1973.

amount of overexpenditure per school is not large, the number of schools with overexpenditures is significant.

As shown in table 3.1, in the first quarter of fiscal year 1977-78, 79 or 35 percent of the 225 schools together spent approximately \$7,661 more than the amounts allotted to them. In the second quarter, 81 or 36 percent of the schools exceeded their spending limits. In total, expenditures were about \$9,436 more than the allotments. In the third and fourth quarters, respectively, 43 schools (19 percent) and 51 schools (23 percent) exceeded their allotments. In the aggregate, the excess was \$2,524 in the third quarter and \$4,319 in the fourth quarter.

Inadequate maintenance of expenditure records. Overexpenditures by schools result largely because school expenditure records are not properly maintained.

To ensure that schools do not in any quarter spend more than the amounts allotted, each school is required under a DOE policy to maintain financial records to account for allotments received and expenditures (including encumbrances) made against the allotment. In addition, each school is required to reconcile its expenditure records with status reports prepared by the DOE's business office and distributed to each school and district office. Such reconciliations are required to be performed on a monthly basis so as to enable schools to detect any errors and to make the necessary adjustments.

Despite these requirements, schools are not keeping proper expenditure records and are not reconciling the school records with the DOE's business office reports. To illustrate, at Kapaa High School on Kauai, the account clerk maintains expenditure records on a yearly, rather than quarterly, basis as required by DOE policy. The clerk records the total allotment for the year, i.e., the sum of the four quarterly allotments, and subtracts all purchases from this figure. Since the monthly fiscal reports prepared by the DOE's business office reflect allotments,

expenditures, and encumbrances by quarters, this school's expenditure records cannot be readily reconciled with the business office reports.

Poor recordkeeping appears to prevail in many of the schools. Often allotments are not even recorded in the school accounting records. In some instances, the allotment amounts are incorrectly recorded and purchases are charged to the wrong appropriation account. There have been numerous instances where undetected coding errors have resulted in the lapsing of funds which otherwise could have been used. For example, at Waianae Intermediate School on Oahu, an undetected coding error resulted in the school's failure to encumber funds during the second quarter of FY 1977-78 for the music education program. In addition, Waianae's failure to reconcile its expenditure records with those of the business office resulted in a fourth quarter overexpenditure of about \$470.

School personnel have not made sufficient effort to become acquainted with DOE's record maintenance requirements. Indeed, it appears that school personnel consider maintenance of expenditure records (i.e., recording allotments and expenditures, reconciliation, etc.) as an imposed clerical burden to be performed on a time-available basis.

The schools must pay more attention to the maintenance of expenditure records. As a first step, personnel assigned to maintaining school expenditure records as well as school administrators should review and become more familiar with the recordkeeping procedures as outlined in the DOE's *Business Office Handbook*.

Inadequate monitoring and assistance to schools. School expenditure recordkeeping deficiencies are in part due to the failure of the district offices to provide assistance to the schools and to monitor school expenditures.

Overexpenditures by District and Quarter
Fiscal Year 1977-78

District	Total no. of schools	Overexpenditure								Total over- expend- iture
		1st quarter		2nd quarter		3rd quarter		4th quarter		
		No. of schools	Amount	No. of schools	Amount	No. of schools	Amount	No. of schools	Amount	
Honolulu	55	19	\$1,359	19	\$1,190	8	\$ 85	7	\$ 537	\$ 3,171
Central	40	14	1,334	18	788	6	518	12	615	3,255
Leeward	33	11	1,009	13	2,768	9	512	12	1,933	6,222
Windward	30	12	685	7	735	4	135	8	438	1,993
Hawaii	29	11	1,627	11	2,156	7	894	6	393	5,070
Maui	24	9	755	5	796	8	379	1	47	1,977
Kauai	14	3	892	8	1,003	1	1	5	356	2,252
Total	225	79	\$7,661	81	\$9,436	43	\$2,524	51	\$4,319	\$23,940
		(35%)		(36%)		(19%)		(23%)		

The district offices are responsible for providing information and services to all schools in their respective districts on matters relating to accounting and control of allocated funds. In addition, one of the specific duties assigned to the district staff specialist is to "[m]onitor and audit expenditures for district administration and school level accounts in accordance with approved operational expenditure plans—emphasis on lapsing and overexpenditures."²

The district offices do notify schools when they exhaust their allotments in any quarter and halt the processing of any further purchase orders for the quarter. The district offices receive information on exhaustion of allotments from the vouchering section of DOE's business office.³

While this practice may ensure that overspending will not continue to occur for the remainder of the quarter, it does nothing to prevent schools from overspending in the first place. It would seem that what the districts

should be doing is monitoring more closely the school personnel responsible for maintaining expenditure records and providing them with technical assistance. However, school personnel have received little guidance and assistance from either the business office or the districts. The schools for the most part have been forced to rely on recordkeeping instructions in DOE's *Business Office Handbook*, miscellaneous memorandums, and brief explanations on allotment and expenditure forms. The purposes of the

²Department of Education, *Duties and Functions of District Business Staff Specialists*, p. 1.

³DOE's business office prepares a weekly financial report which provides, by schools and programs, year-to-date totals of the amounts appropriated, allotted, expended, encumbered, and lapsed to the general fund. It also shows the allotment balances for each school by program. The report is distributed to the districts and the district offices are supposed to use the report to identify those schools that have spent more than their quarterly allotment. The districts are required to notify the schools of the overexpenditure and inform them that no further purchase orders will be processed for goods and services for the remainder of the quarter. In practice, however, the district offices rely on the vouchering section of DOE's business office to notify them when a school has spent more than its quarterly allotment. The vouchering section uses the same weekly status report that is distributed to the districts to notify the districts of schools that have overspent.

various requirements are still not fully understood by many schools.

One reason for the lack of guidance by the districts appears to be that the districts themselves are unfamiliar with the record-keeping tasks. Thus, the district offices are not equipped to provide the kind of assistance and monitoring that schools need.

In summary, the individuals responsible for maintaining school expenditure records as well as those responsible for monitoring expenditures must be instructed in the methodology and techniques of the recordkeeping tasks. It is incumbent upon the state office to conduct inservice training sessions and workshops for school and district personnel who are assigned to maintaining and monitoring expenditure records.

Recommendations. To ensure that school expenditures do not exceed quarterly allotments, we recommend that:

1. *Schools maintain adequate expenditure records and reconcile these records on a monthly basis with the status reports prepared by the business office.*

2. *DOE conduct inservice training sessions and workshops in order to provide school and district personnel with the skills and technical knowledge required to properly maintain school expenditure records.*

3. *District offices more closely monitor expenditure recordkeeping by the schools and provide technical assistance as the schools may require in maintaining their records.*

Noncompliance with Budget Provision

The general appropriations acts generally stipulate that, where a program is financed by the general fund as well as by other nongeneral

fund sources (e.g., special funds), the general fund operation shall be decreased by the amount actually received or, in some cases, estimated to be received from the nongeneral fund sources. The purpose of this provision is, of course, to reduce the burden on the general fund.

In fiscal year 1977-78, DOE failed to comply with this requirement as it related to the school food services program. Under the general appropriations act appropriating monies for fiscal years 1977-78 and 1978-79 (Act 10, First Special Session 1977), the general fund appropriation for the school food services program was authorized to be expended only for costs of operating school cafeterias in excess of monies received from the sale of meals, the sale of services, the federal government, and from any other source.

At June 30, 1978, approximately \$7.2 million in general fund monies had been expended to defray the costs of operating school cafeterias. However, \$127,773 in receipts remained unexpended and was carried forward to fiscal year 1978-79. These monies should either have been used to reduce the general fund appropriation or they should have been returned to the general fund at June 30, 1978. Upon inquiry, DOE personnel stated that it was an oversight on their part and that immediate action would be taken to return the \$127,773 to the state general fund. The monies were subsequently lapsed to the general fund in November 1978.

We believe the department should examine the special fund balance at the end of each fiscal year and immediately lapse such amount as is appropriate to the state general fund.

Recommendation. We recommend that DOE examine the unexpended special fund balance of the school food services program and lapse such amount as is considered appropriate to the general fund at the end of each fiscal year.

Trust Fund Deficiencies

DOE holds in trust monies received as gifts, grants, and donations, by or on behalf of schools, district offices, and the state office. According to DOE policy, "administrators of schools, state and district offices may accept gifts, grants and donations for a school or office of the Department of Education for the purpose of public education."⁴ The policy requires that individuals designated as trust administrators maintain a record of the donor, and the purpose for which the gift, grant, or donation is to be used, and specifies that all monetary gifts, etc., be reported in monthly financial reports (Form 434) and transmitted to the business office for deposit with the state treasury. The business office establishes a trust and agency account for the formal accounting of all monies received.

In addition to gifts, grants, and donations, DOE also holds in trust monies received from athletic league revenues, admission charges to athletic games, and activity book sales.

The records of the gift trust accounts maintained by school and district trust administrators are inadequate and incomplete. In addition, there is inadequate and incomplete accounting of athletic receipts.

Donor and purpose of gifts unknown. There is approximately \$2200 in 11 gift trust accounts for which DOE has no records indicating the donor and purpose for which these monies may be used. In at least two cases, the purposes for which the trusts were initially established appear to have already been fulfilled. There is a question as to whether the amounts in the 11 trust fund accounts can be used for any purpose inasmuch as the purposes for which these monies may be used are not known.

DOE should request a ruling from the attorney general on the disposition of these trust accounts. To avoid such problems in the future and to enable DOE to obtain full use of all donations made to it, trust fund administrators should henceforth maintain proper records of all

trust receipts. Without such records, monies which could be put to good use may simply be wasted.

Inadequate and incomplete accounting of athletic trust receipts. Chapter X of DOE's *Business Office Handbook* provides specific and detailed instructions regarding the procedures to be followed in accounting for gate receipts and student activity book sales. However, the schools are not complying with these instructions. Among the deficiencies are inadequate documentation for athletic receipts and failure to deposit receipts in the state treasury.

1. **Inadequate documentation.** Prenumbered athletic tickets and student activity books are used to ensure proper accounting of cash receipts from ticket and student activity book sales. Present DOE procedures require that these prenumbered tickets and activity books be reconciled with cash receipts derived from sales. In addition, the policy requires that adequate records be maintained by each school. Despite these requirements, many schools are unable to account for their ticket and activity book sales. Consider the following examples.

McKinley High School: Deposits from student activity book sales during FY 1977-78 totaled \$3506. The school, however, has no record of the total number of books printed and the number sold or issued without charge to organizations such as the band. In addition, it has no record of the total number of unsold books on hand. As a result, the school is unable to reconcile its deposits with activity book sales.

Roosevelt High School: Deposits from preseason basketball game ticket sales for FY 1977-78 totaled \$854; however, the school can only account for \$347 of this amount.

⁴Department of Education, *Business Office Handbook*, "Gifts, Grants and Donations," VII, p. 21.

Kalani High School: Deposits from preseason football game tickets for FY 1977-78 amounted to \$716. However, because the school has no record of the total number of tickets printed, the ticket price, the number sold, and the number unsold, it is unable to properly account for its gate receipts.

2. *Athletic receipts not deposited in state treasury.* DOE procedures require that all athletic receipts be deposited in the state treasury. Subsequent disbursement of these monies is made through purchase orders in accordance with the normal procurement process followed by DOE.

Kalani High School is not depositing all athletic receipts in the state treasury and is violating departmental policies in the purchase of goods and services.

During fiscal year 1977-78, Kalani's gate receipts from preseason basketball games totaled \$1207; however, the school deposited only \$630 into the state treasury. The remaining \$577 was disbursed directly by the school. Of the \$577, \$42 was paid to cashiers for services rendered during basketball games, and \$535 was paid to the Kalani basketball boosters.

Improper maintenance of trust account. Since October 1977, DOE has improperly held a sum of \$4450 in a trust account established by McKinley High School. This sum represents proceeds received by the school under an insurance claim filed by the school for damages to a piano. The insurance premiums had been paid with general fund monies appropriated to the school's music department.

The retention of these monies in trust is improper since the insurance proceeds represent public funds which should be deposited into the general fund. In addition, the purchase of property insurance by the school is in violation of HRS section 41-4, which states in part that "...the comptroller shall appoint a risk manager, to supervise and direct the

determination and treatment for the best interests of the State of all risk appertaining to its property, personnel, and operations."

Recommendations. We recommend that DOE exercise better controls over its trust funds and take steps necessary to ensure that schools and district offices are in compliance with the laws and policies and procedures governing trust accounts. Specifically, we recommend the following:

1. *Gift trust administrators maintain complete records of trust receipts by donor and inform the state office when the purpose for which trust accounts were established have been fulfilled. In addition, we recommend that DOE request a ruling from the attorney general on the disposition of those trust accounts where the purposes for which the monies may be used are not known and where the initial trust purposes have terminated.*

2. *School personnel maintain adequate records to account for athletic gate receipts and student activity book sales. All athletic receipts should be deposited in the state treasury and all purchases of athletic goods and services should be made in accordance with the normal procurement process.*

3. *DOE immediately deposit in the general fund the sum of \$4450 improperly held in trust and necessary steps be taken to ensure compliance with HRS section 41-4 relating to insurance of state property, personnel, and operations.*

Loss of Federal Funds

Section 412(b) of the Federal General Education Provisions Act gives DOE flexibility in utilizing federal grant monies. Specifically, this act enables DOE to fund subsequent year expenditures with the unobligated balance of prior year grants. However, in order to carry forward the unobligated balance, DOE must revise its projected activities plan, i.e., the

operational plan which summarizes the intended disposition of grant funds, and submit the plan to the U.S. Office of Education for its review and approval.

To ensure that DOE takes full advantage of the carry forward provision, status reports which reflect, among other things, the unobligated balance of each federal grant are prepared monthly and distributed to all affected program administrators. According to DOE policy, these status reports must be reviewed by all program administrators so that revised projected activities plans, which incorporate the use of any unobligated federally funded program balances, may be prepared and submitted to the U.S. Office of Education.

In fiscal year 1977-78, DOE lost approximately \$143,000 in federal grant monies available to the educationally deprived children and the education improvement for handicapped programs because it failed to revise the projected activities plans for these two programs.

Our inquiry as to why projected activities plans were not prepared for these two programs disclosed that the program administrators responsible for monitoring these programs had failed to adequately review the monthly status reports and were unaware that the programs showed unobligated balances.

***Recommendation.** We recommend that DOE program administrators review the monthly status reports of federal grants and automatically revise projected activities plans for all federal grants with expiring unobligated balances.*

Nonimplementation of Previous Audit's Recommendations

This is our second financial audit of DOE⁵ and, as such, we examined the status of implementation of the recommendations made in our 1973 audit.

Our finding is that DOE has failed to initiate corrective actions to remedy many of the previously cited deficiencies. This is particularly distressing since two reports prepared by the department in November 1973⁶ had indicated that the department had taken or was taking action to correct the deficiencies. In some instances the cited deficiency no longer exists because DOE, rather than implementing our recommended course of action, chose to eliminate or change the policy or procedure which was being violated.

Insufficient controls over the purchasing system. There are still several internal control deficiencies in DOE's purchasing system. These deficiencies are:

- . misuse of blanket purchasing authority;
- . inadequate price solicitation;
- . inadequate control over purchase orders; and
- . delays in transmitting invoices.

1. ***Misuse of blanket purchasing authority.*** The use of "blanket" purchase orders to acquire frequently used, low-cost items reduces the administrative expense of processing repetitive, low-cost purchases. Under a blanket purchase order, only one purchase order is issued to a vendor to cover purchases of a specified commodity or service over a given period of time, thus eliminating the need to issue separate purchase orders for each purchase. DOE policies governing blanket purchase orders are as follows:

⁵See Legislative Auditor's report entitled, *Financial Audit of the Department of Education*, Audit Report No. 73-3, March 1973.

⁶Department of Education, *Implementation Status Report on Findings and Recommendations of Management and Financial Audits of the Department of Education*, and *Summary of the Department of Education's Implementation of the Recommendations Contained in Audit Reports No. 73-1, Management Audit of the DOE*, and No. 73-3, *Financial Audit of the DOE*, November 21, 1973.

- blanket purchase orders may not be used to purchase items included in the DOE storeroom price list or the DAGS price list;

- blanket purchase orders may not exceed \$500 or apply to items with unit costs of \$50 or more; and

- blanket purchase orders must include the effective period of the purchase order and the period cannot extend for more than one fiscal quarter.

In our 1973 audit report, we noted that many schools, in violation of DOE policy, were issuing blanket purchase orders for amounts exceeding the dollar limit, which at that time was \$100. This ceiling was subsequently increased to \$500. Since then, dollar limit violations have rarely occurred. However, contrary to DOE policy, schools are now using blanket purchase orders to obtain goods and services over periods exceeding one fiscal quarter. For example, we noted instances where purchase orders issued in September 1977 were not cancelled until March and September of 1978. In addition, we noted several instances where blanket purchase orders for transportation and reproduction services were never cancelled at all but used continuously throughout the year until the \$500 limit was reached.

2. Inadequate documentation of price solicitation. In our previous audit we noted that schools and offices were violating the DOE policy governing purchases of less than \$4000. The policy authorized (and still authorizes) schools and offices to make certain purchases costing less than \$4000 directly from the vendors without the approval of the DOE purchasing office, provided that informal price quotations (telephone quotations) were first solicited from interested vendors. The policy required that, wherever practical, a minimum of three bids be solicited. The policy as it then existed further required that all price quotations be recorded and filed.

We found in the previous audit that schools and offices were not recording and filing the informal price quotations as required by the policy, and we recommended that DOE take steps to ensure compliance by schools and offices with the recording requirements. DOE in its November 1973 progress report stated that, to ensure compliance with the DOE policy, it would amend its purchasing procedures "to require purchasers (i.e., schools and offices) to record the informal price quotations on its [sic] file copy of the purchase order." DOE promised to so amend its purchasing procedures by January 1, 1974.

In this audit we found that schools and offices are still not recording and documenting price quotations from vendors. Indeed, contrary to its representation made in November 1973, DOE has amended its policy and eliminated the requirement that price quotations be recorded and filed. It seems that DOE took this action, rather than enforce the recording requirement, because schools and offices complained about having to document the oral bids.

We fail to understand the basis for this complaint. The primary reasons for requiring oral bids to be documented and filed are (a) to assure that DOE purchases goods of a given quality at the lowest price possible and (b) to shield DOE from charges of vendor favoritism.

3. Failure to maintain adequate controls over purchase orders. Our previous audit disclosed deficiencies in the controls exercised by DOE over its purchase orders. Despite DOE's representation that the problem had been corrected as of July 1, 1973,⁷ we found in this audit that the deficiencies still persist.

Accurate purchase order records are still not being maintained. Specifically, DOE is continuing its practice of discarding voided purchase orders rather than keeping them. Purchase orders are voided when purchases do

⁷Department of Education, *Implementation Status Report*, p. 92.

not occur after the orders are issued. When voided purchase orders are discarded, it is difficult, if not impossible, to trace the status of all purchase orders issued. Voided purchase orders should be retained, clearly marked as "void," and filed in numerical sequence with all other purchase orders.

DOE is also continuing its practice of issuing purchase order numbers which are not subsequently used to make purchases. Non-use of issued numbers occurs when those requesting the numbers fail to proceed to purchase the goods or services they had intended to purchase. When the numbers are not used, no purchase orders are prepared.

Decisions not to proceed to purchase as originally intended are often made after subsequent purchase order numbers are issued. For this reason, issued but unused purchase order numbers are not reissued later. This creates voids—numbers without purchase orders. Too many voids cause confusion in the records.

As we recommended in our first audit, DOE should discontinue this practice of issuing purchase order numbers without subsequent preparation of the purchase orders themselves, except in cases of emergencies. Where no purchases are made after the issuance of the numbers, purchase orders should nevertheless be prepared and marked "void," and the voided purchase orders retained in the records. In this way, gaps will be avoided.

4. *Delays in transmitting invoices.* Under DOE procedures, schools and offices are supposed to transmit a vendor's invoice to the vouchering section of DOE's business office within three working days after receipt of the invoice or delivery of the goods, whichever is later.

In three of our previous reports, our 1971 audit of vendor payments,⁸ the 1973 financial audit of DOE, and a 1976 followup review of the vendor payment process,⁹ we noted that schools and offices were not transmitting

vendors' invoices within the time prescribed. Each time DOE responded that it would take necessary action to correct this problem. For instance, in its November 1973 progress report,¹⁰ the department stated that "[d]istricts were instructed to perform reviews on late submission of invoices at various schools and to report to the Office of Business Services on schools which still did not comply with the regulations. Such schools were instructed by the districts to eliminate or minimize this problem." The report further stated that "district staff will perform reviews on a continuing basis."¹¹ While improvement in the claim processing time has apparently been made, the claims are not being processed within the time prescribed by DOE procedures.

An examination in this audit of a sample of 78 invoices issued by vendors in fiscal year 1977-78 disclosed that 26 or 33.3 percent of them were not transmitted to the vouchering section within the three working days specified by DOE procedures. The transmission of at least two of the invoices was delayed for more than 60 days. Under HRS section 103-10, the State must pay interest to vendors at the rate of 1 percent per month on amounts which remain unpaid for more than 60 days.

Recommendations. Adequate internal controls over the purchasing system can only be accomplished if DOE requires that schools and offices comply with the following:

1. *Cancel blanket purchase orders at the end of each fiscal quarter.*

⁸See Legislative Auditor's report entitled, *Audit of the State Vendor Payment Process*, Audit Report No. 71-3, March 1971.

⁹See Legislative Auditor's report entitled, *The State Vendor Payment Process, A Follow-Up Review*, December 1976.

¹⁰Department of Education, *Implementation Status Report*.

¹¹*Ibid.*, page 93.

2. *Document all informal price quotations.*

3. *Account for all purchase orders by retaining all voided purchase orders and filing them in numerical sequence with all other purchase orders. In addition, the issuance of purchase order numbers without the subsequent preparation of the purchase order should be discontinued, except in cases of emergencies.*

4. *Transmit vendors' invoices to the vouchering section within the time specified by policy.*

Improper processing of overtime claims and attendance reports. 1. *Overtime claims.* DOE procedures require that schools submit overtime claims to the district offices. However, schools are not complying with this requirement. Claims for overtime hours actually worked are not being submitted to the districts.

Our previous audit report noted this deficiency and stressed that the districts are unable to maintain adequate controls over overtime without the submission of these claims to them. In its report, DOE asserted that a procedural change had been effected to ensure that the claims are processed to the district offices. The problem, however, has not been alleviated.

2. *Attendance reports.* Schools and offices are required to prepare monthly attendance reports for submission to the payroll section of DOE's business office. The reports are used to certify which employees were in attendance at work and which were not.

In our prior audit report, we observed that proper attendance reports were not being filed. We noted that the departmental rules then in force required the schools and offices to use such daily attendance records as the "in/out sheet" and "staff attendance register" as the bases for preparing the monthly attendance reports, but that the schools were using instead the leave of absence applications submitted by

the employees as the bases of the attendance reports. Since employees absent from work did not necessarily or always file a leave of absence application, we said that reliance on leave of absence applications was improper.

The schools were relying on the leave of absence applications because school personnel were not always signing the "in/out sheet." After our audit report was issued, DOE amended its procedures, and schools are now required to maintain daily attendance records from which the monthly attendance reports are to be prepared. However, schools are not complying with the new requirement and are still relying on incomplete and inaccurate records, such as the "in/out sheet," to prepare the monthly attendance reports.

Recommendations. We recommend as follows:

1. *DOE ensure that schools transmit overtime claims to their respective district offices by having district personnel monitor those schools who fail to submit these claims.*

2. *DOE enforce its policy that schools and offices maintain daily attendance records for all employees.*

Lack of controls over revenue collections. 1. *Failure to comply with deposit and transmittal schedules.* Monies generated from such school activities as school lunch, summer school, adult education, athletic events, and donations are state revenues and receipts. They are required to be deposited into the state treasury.

DOE policy provides that these monies be deposited on a daily basis into school bank accounts as they are collected and that checks drawn on these accounts be subsequently prepared and transmitted to the business office for deposit into the state treasury. The checks are required to be transmitted in accordance with the following schedule:

Cafeteria receipts — every Tuesday afternoon for the previous week's (Monday through Friday) receipts.

Other collection account receipts — either on the last business day of the week (if the amount exceeds \$75) or on the last business day of the month.

In our previous report we noted that schools were not making daily deposits of monies collected and were not transmitting checks drawn on the school accounts to the business office within the time specified by DOE's transmittal schedule. We urged then that schools comply with DOE rules.

In this audit, we found that schools are still not complying with the requirements. Some schools are holding cafeteria receipts for periods as long as two weeks before depositing them, and some schools are not transmitting "other receipts" exceeding \$75 on a weekly basis.

Since cash receipts are not considered available for use by the State until they are deposited into the state treasury, any delay from the time of collection to the time of deposit prevents the State from utilizing funds that could otherwise be available.

2. *Lack of control over numerical issuance of remittance advices.* Cash receipts transmitted to DOE's business office must be accompanied by a "remittance advice," which lists the sources of the receipts and the amount being transmitted for deposit into each fund, i.e., general, special, trust, etc. To ensure that all transmittals of cash receipts are received and

recorded by DOE's business office, it is essential that remittance advices be accounted for in numerical sequence.

Our previous report disclosed that several schools do not number their remittance advices, while others skip or issue duplicate numbers. Accordingly, we recommended that DOE issue prenumbered remittance advice forms to the schools and require the business office to account for the numerical sequence of the forms.

DOE has not issued prenumbered forms. Instead, it has assigned the responsibility for accounting for the remittance advices to the schools. Although it appears that all schools are now numbering their remittance advices, they are not doing so properly. In many cases they are issuing duplicate numbers and are otherwise not properly maintaining a count of the remittance advices.

Recommendations. To establish adequate controls over cash received, we recommend the following:

1. *DOE establish controls to ensure that cash receipts are in fact transmitted to the business office in accordance with the transmittal schedule and instruct the business office to monitor those schools which fail to transmit funds within the time allotted.*

2. *DOE issue prenumbered remittance advice forms to the schools and instruct the business office to assume responsibility for accounting for the numerical issuance of remittance advices.*

Chapter 4

FINANCIAL STATEMENTS AND ACCOUNTANTS' OPINION

This chapter presents the results of the examination of the financial statements of DOE for the fiscal year ended June 30, 1978. It contains the opinion of Coopers & Lybrand regarding the fairness and accuracy of the department's financial statements. It also displays various financial statements on the general fund, special revenue funds, and trust funds administered by DOE, together with explanatory notes.

Accountants' Opinion

Upon examination of the financial statements and related financial transactions for the fiscal year 1977-78, Coopers & Lybrand concluded that, except for the effects of such adjustments or disclosures as might have been determined to be necessary had they been able to obtain information concerning pending and threatened litigation, claims, and assessments, the financial statements were reasonably accurate and in conformity with generally accepted accounting principles. It filed the following statement with the legislative auditor:

"To the Legislative Auditor
State of Hawaii
Honolulu, Hawaii

We have examined the following financial statements of the Department of Education, State of Hawaii, as of June 30, 1978 and for the year then ended:

Exhibit A — Statement of Appropriations, Allotments, Expenditures, and Encumbrances — General Fund

Exhibit B — Statement of Appropriated Receipts, Allotments, Expenditures and Encumbrances — Special Revenue Funds

Exhibit C — Statement of Revenue — Special Revenue Funds

Exhibit D — Combined Balance Sheet — Trust Funds

Exhibit E — Combined Statement of Cash Receipts and Disbursements — Trust Funds

As explained in the general notes to the financial statements, the general fund and special revenue funds financial statements (Exhibits A, B, and C) are a part of the State of Hawaii's general fund and special revenue funds and our opinion expressed herein, insofar as it relates to the amounts included for the general fund and special revenue funds, is limited to the transactions of the Department of Education only. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain from the State Attorney General any information concerning pending and threatened litigation, claims and assessments involving the Department of Education. Because the State Attorney General did not furnish the information requested, we were unable to satisfy ourselves as to the accounting for and reporting of pending and threatened litigation, claims and assessments by means of other auditing procedures.

In our opinion, except for the effects of such adjustments or disclosures as might have been determined to be necessary had we been able to obtain information concerning pending and threatened litigation, claims and assessments, the aforementioned financial statements of the Department of Education, State of Hawaii, present fairly the financial position of the Department of Education's trust funds as of June 30, 1978 and the results of operations of the general fund, special revenue funds and trust funds of the Department of Education for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made primarily for the purpose of rendering an opinion on the basic financial statements described above, taken as a whole. The other data included in Schedule I, although not considered necessary for a fair presentation of the results of operations of the general fund and special revenue funds, are presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Coopers & Lybrand
Certified Public Accountants

Honolulu, Hawaii
October 31, 1978"

Descriptions and Definitions

Description of financial statements and schedule. The following is a brief description of the financial statements and schedule examined by Coopers & Lybrand. The financial statements and schedule are attached at the end of this chapter as Exhibits A to E and Schedule I.

1. Statement of appropriations, allotments, expenditures and encumbrances (Exhibit A — general fund) reflects the general fund amounts authorized, made available, expended, obligated, lapsed, or carried forward by DOE.

2. Statement of appropriated receipts, allotments, expenditures and encumbrances (Exhibit B — special revenue funds) reflects the amounts of the special revenue funds received, made available, expended, obligated, or carried forward by DOE.

3. Statement of revenues (Exhibit C — special revenue funds) shows the revenues of the special revenue funds actually collected during the year and a comparison of the anticipated and actual collection of revenues.

4. Combined balance sheet (Exhibit D — trust funds) discloses the assets and reserves of DOE's trust funds as of June 30, 1978.

5. Combined statement of cash receipts and disbursements (Exhibit E — trust funds) summarizes the results of cash transactions during the year by the respective trust funds.

6. Schedule of appropriations, expenditures and encumbrances school-by-school (Schedule I) reflects by district and school the monies appropriated, expended, and encumbered for the basic and special needs categories of the regular instruction program for the fiscal year.

Definition of terms. Technical terms are used in the financial statements and in the notes to the financial statements. The more common terms and their definitions are as follows:

1. *Allotment* — Authorization by the director of finance to a state agency to incur obligations and to make expenditures pursuant to the appropriation made by the state legislature.

2. *Appropriation* — An authorization granted by the state legislature permitting a state agency within established fiscal and budgetary controls to incur obligations and to make expenditures. Appropriations are of two types: (a) funds which are available for use until completely expended and (b) funds which lapse if not expended by or encumbered at the end of the fiscal year.

3. *Appropriated receipts* — Funds received by the State for designated purposes and specifically authorized by the state legislature to be expended by the state agency. Depending upon the designated purposes of the receipts, the funds may lapse at the end of the fiscal year or be carried over until completely expended.

4. *Encumbrance* — An obligation in the form of a purchase order or contract which is chargeable to an appropriation, the incurring of which sets aside the appropriation for the amount of the obligation.

5. *Expenditure* - The actual disbursement of funds for the payment of goods delivered or services rendered, the obligation to pay for such goods or services having been incurred against authorized funds.

6. *Lapse of appropriation balance* — The balance of funds authorized, which is unexpended and uncommitted at the end of the prescribed time period. The balance reverts to the designated fund and is available for appropriation by the state legislature in the ensuing fiscal year.

7. *Other current expenses* — Expenditures other than for personal services.

8. *Personal services* — Salaries and wages paid to employees.

9. *Reserve* — An account which records a portion of the fund balance which must be segregated for some future use and which is therefore not available for further appropriation.

10. *Transfers* — Transactions between funds, departments, and/or programs which are authorized by the director of finance and/or the governor.

General Notes to the Financial Statements

Explanatory notes which are pertinent to an understanding of the financial statements and financial condition of the funds administered by DOE are discussed below.

Accounting principles. The accounts of DOE are maintained and the accompanying financial statements have been prepared on a modified cash basis of accounting. Under this method, revenue is generally recognized when actually received and expenditures are recorded when liabilities are incurred, except for vacation pay which is recorded when paid.

The accounting procedures generally provide for recording commitments at the time contracts are awarded and orders for equipment, construction, services, and supplies are placed. These commitments are represented as encumbrances in the accompanying financial statements and are necessary to reflect obligations against appropriations. So much of the appropriations made out of the state general fund that are not expended or encumbered by the end of the fiscal year generally lapses.

Capital assets constructed for or purchased by DOE are recorded as expenditures in the year in which the cost is incurred. These assets are not reflected as assets in the accompanying financial statements, but are reflected in the general fixed assets of the State of Hawaii. Depreciation of these assets is not recorded by the State.

Fund categories and description. Monies to finance DOE's programs are accounted for in several different funds. These funds have been established by legislative actions, and each fund has a specific purpose or objective to fulfill. Each fund is an independent fiscal and accounting entity and a separate group of accounts is maintained for each to show its revenues and expenditures. There are three categories of these funds. The categories and the funds within each are described briefly below.

1. **General fund.** The general fund is used to account for all resources not specifically set aside for special purposes. Any activity not financed through another fund is financed through this fund. The budget as adopted by the legislature provides the basic framework within which the resources and obligations of the general fund are accounted. General fund appropriations to DOE are part of the state general fund; thus none of the financial statements attached as exhibits at the end of this chapter is a statement of the general fund; except that Exhibit A reflects the general fund appropriations, expenditures, and obligations of DOE.

2. **Special revenue funds.** Special revenue funds are operated to account for revenues and expenditures designated for particular educational purposes. The principal funds are the federal special revenue funds and the school food services special revenue fund. Because the State's accounting system does not maintain a separate fund accounting entity for each special revenue fund, the special revenue funds of DOE are a part of the State of Hawaii's complete self-balancing accounting entity used to account for revenues from specifically identified sources, and the accompanying financial statements of special revenue funds are limited to and reflect only the appropriated receipts, expenditures, and obligations of DOE.

3. **Trust funds.** Trust funds are used to account for resources held by DOE as a trustee or agent. The accounts are operated in accordance with specific agreements or other governing regulations. A description of DOE's trust funds included in this category is presented below.

a. **Donations — education.** This fund was established in accordance with Hawaii Revised Statutes section 296—32, to account for donations received by or on behalf of schools.

b. **Temporary deposits — education.** This fund was established by the department to account for other temporary miscellaneous deposits.

c. **Temporary deposits — Maui Public Library.** This fund was established by the department to account for temporary deposits received from nonresident library users. However, because deposits are no longer collected, the fund balance was transferred to the State of Hawaii general fund during the year ended June 30, 1978, and the fund was abolished.

d. **Donations and gifts — public libraries.** These funds were established in accordance with Hawaii Revised Statutes section 312—2 to account for donations received for library purposes.

e. **Foundations and other grants.** This fund was established in accordance with Hawaii Revised Statutes section 296—32 to account for various foundation grants received by or on behalf of DOE.

f. **State schools athletic fund.** This fund was established by the department to account for receipts from athletic functions and donations received for athletic purposes.

g. **Donations for transcribing services.** This fund was established to account for donations received for the benefit of the blind and physically handicapped.

In addition to the general notes set forth above, some special comments are necessary with respect to several items contained in the financial statements. These comments are set forth in the notes which follow. They are necessary for a complete presentation of the financial statements of the various funds.

**Note to Financial Statement
of the General Fund (Exhibit A)**

Commitments. DOE has several leases for office space expiring at various dates to 1980. The annual rental under the terms of these leases amounted to \$335,000 in 1978. The lease rental requirements are encumbered for a one-year period rather than for the term of the leases.

In accordance with the general practice followed by other state agencies, DOE does not reflect the accrued and potential liability for vacation and sick leave credits earned by its employees. Within certain limitations the employees are entitled to receive cash payments for accrued vacation upon termination of their employment. The policy of the department is to record the expenditures for vacation leave when paid from current appropriations. At June 30, 1978, employees' accrued vacation totaled approximately \$10,244,000.

Sick leave can accumulate at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of an illness and is not convertible to pay upon the termination of employment. Accumulated sick leave at June 30, 1978 totaled approximately \$145,912,000.

All full-time employees of the department are required by chapter 88 of the Hawaii Revised Statutes to become members of the employees' retirement system of the State of Hawaii, a contributory retirement system. The department's and other state agencies' share of the retirement expense for the fiscal year ended June 30, 1978 was included in the general appropriation bill as an item to be expended by the department of budget and finance and is not reflected in DOE's financial statements.

**Notes to Financial Statements of Special
Revenue Funds (Exhibits B and C)**

Statement of revenue. The statement of revenue reflects the revenue collected by DOE

to the credit of the State of Hawaii's special revenue funds. The authority to collect revenues is covered by the various sections of the Hawaii Revised Statutes.

Continuing appropriations. The school food services fund balance includes \$127,773 of unexpended and unencumbered funds which should have been lapsed as of June 30, 1978 but were being incorrectly carried forward to fiscal year 1979. These monies were lapsed to the state general fund in November 1978.

**Note to Schedule of Appropriations,
Expenditures and Encumbrances,
School by School (Schedule I)**

The General Appropriations Act of 1977, Act 10, Session Laws of Hawaii 1977, appropriates amounts to the individual public schools for the regular instruction program under two program categories: basic needs and special needs.

To allow for changes that might occur in program requirements with regard to the basic needs category, Section 34 of the act provides that "... the superintendent of education is authorized to transfer funds and personnel positions for the category 'Operating: Basic Needs' from one program to another among Regular Instruction programs in response to increases or decreases in individual school enrollments and teacher movements." The section further states that "... if the amounts shown for Regular Instruction programs for the category 'Operating: Basic Needs' in either year of the fiscal biennium are insufficient to pay the personnel service costs for a particular school, the superintendent of education may supplement the amount from the sum of \$250,000 from the general fund for fiscal year 1977-78 and the sum of \$250,000 from the general fund for fiscal year 1978-79 provided for in EDN 304 (District Administration) such sums to be used for the sole purpose of supplementing school personnel service costs for regular instruction."

With regard to the special needs category, Section 38 of the act provides that "... the superintendent of education may transfer funds in an equitable manner among programs for Regular Instruction for the category 'Operating:

Special Needs' in the event of significant changes in individual school enrollments resulting from such conditions as delayed school openings, changes in school boundaries, disasters or other emergencies."

EXHIBIT A

STATE OF HAWAII
DEPARTMENT OF EDUCATION
GENERAL FUND

Statement of appropriations, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriations	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Lapsed Balance	Continuing Appropriations
FORMAL EDUCATION									
<u>Instruction</u>									
Regular Instruction Program	\$ 915,490	\$108,909,513	\$ 947	\$2,424,304	\$112,250,254	\$ -	\$ -	\$5,135,497	\$ -
Personal services	-	-	-	-	-	97,406,888	21,961	-	-
Other current expenses	-	-	-	-	-	8,773,541	912,367	-	-
	915,490	108,909,513	947	2,424,304	112,250,254	106,180,429	934,328	5,135,497	-
<u>Other Regular Instruction Programs</u>									
Personal services	245,198	11,163,523	-	441,699	11,850,420	10,340,656	14,042	45,738	-
Other current expenses	-	-	-	-	-	1,321,450	128,534	-	-
	245,198	11,163,523	-	441,699	11,850,420	11,662,106	142,576	45,738	-
<u>Exceptional Child Program</u>									
Personal services	80,005	11,397,314	-	386,705	11,864,024	10,820,923	50,487	94,445	-
Other current expenses	-	-	-	-	-	879,530	18,639	-	-
	80,005	11,397,314	-	386,705	11,864,024	11,700,453	69,126	94,445	-
<u>Compensatory Education</u>									
Personal services	38,754	3,261,213	-	(59,101)	3,240,866	2,873,105	5,330	45,464	-
Other current expenses	-	-	-	-	-	285,773	31,194	-	-
	38,754	3,261,213	-	(59,101)	3,240,866	3,158,878	36,524	45,464	-
Total Instruction	1,279,447	134,731,563	947	3,193,607	139,205,564	132,701,866	1,182,554	5,321,144	-
<u>Instructional Administration And Support</u>									
School Administration	107,117	14,628,582	524	111,517	14,847,740	-	-	8,119	-
Personal services	-	-	-	-	-	13,919,816	19,352	-	-
Other current expenses	-	-	-	-	-	860,276	40,177	-	-
	107,117	14,628,582	524	111,517	14,847,740	14,780,092	59,529	8,119	-
<u>Instructional Media</u>									
Personal services	337,397	6,622,712	-	78,788	7,038,897	-	-	16,027	-
Other current expenses	-	-	-	-	-	5,239,136	1,081	-	-
	337,397	6,622,712	-	78,788	7,038,897	1,421,388	361,265	-	-
						6,660,524	362,346	16,027	-

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
GENERAL FUND

Statement of appropriations, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriations	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Lapsed Balance	Continuing Appropriations
Instructional Development	\$ 45,241	\$ 2,555,198	\$ -	\$ 64,054	\$ 2,664,493	\$ -	\$ -	\$ 12,804	\$ -
Personal services	-	-	-	-	-	2,036,532	2,842	-	-
Other current expenses	-	-	-	-	-	333,310	79,005	-	-
Counseling	45,241	2,555,198	-	64,054	2,664,493	2,569,842	81,847	12,804	-
Personal services	1,227	4,670,923	-	243,549	4,915,699	-	-	1,206	-
Other current expenses	-	-	-	-	-	4,909,846	3,626	-	-
Student Activities	1,227	4,670,923	-	-	4,915,699	4,910,867	-	-	-
Personal services	25,990	636,658	-	41,680	704,328	-	-	62,041	-
Other current expenses	-	-	-	-	-	414,275	-	-	-
Psychological and School Social Work Services	25,990	636,658	-	41,680	704,328	626,054	16,233	62,041	-
Personal services	72,695	2,703,598	-	200,495	2,976,788	-	-	49,950	-
Other current expenses	-	-	-	-	-	2,317,523	10,136	-	-
Psychological and School Social Work Services	72,695	2,703,598	-	200,495	2,976,788	226,947	372,242	-	-
Other current expenses	-	-	-	-	-	2,544,470	382,368	49,950	-
Total Instructional Administration And Support	589,667	31,817,671	524	740,083	33,147,945	32,091,849	905,949	150,147	-
Institutional Administration And Support									
State Administration	201,976	5,200,747	780	(309,514)	5,093,989	-	-	28,742	-
Personal services	-	-	-	-	-	3,740,654	7,815	-	-
Other current expenses	-	-	-	-	-	1,066,104	250,674	-	-
District Administration	201,976	5,200,747	780	(309,514)	5,093,989	4,806,758	258,489	28,742	-
Personal services	42,111	7,925,665	266	(472,394)	7,495,648	-	-	15,890	-
Other current expenses	-	-	-	-	-	7,107,606	7,220	-	-
School Food Services	42,111	7,925,665	-	-	-	305,025	59,907	-	-
Personal services	66,079	7,200,378	266	(472,394)	7,495,648	7,412,631	67,127	15,890	-
Other current expenses	-	-	-	-	-	-	-	418,638	-
School Food Services	66,079	7,200,378	1,066	384,371	7,651,894	6,755,176	7,560	-	-
Personal services	-	-	-	-	-	320,527	149,993	-	-
Other current expenses	-	-	-	-	-	7,075,703	157,553	418,638	-

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
GENERAL FUND

Statement of appropriations, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriations	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Lapsed Balance	Continuing Appropriations
Safety and Security Services	\$ 22,162	\$ 533,470	\$ -	\$ -	\$ 533,470	\$ -	\$ -	\$ 47,249	\$ -
Personal services	-	-	-	-	-	384,753	17	-	-
Other current expenses	-	-	-	-	-	104,650	18,963	-	-
	22,162	533,470	-	-	533,470	489,403	18,980	47,249	-
Physical Plant Operations and Maintenance	589,950	14,431,161	4,888	1,464,999	16,490,998	-	-	130,836	-
Personal services	-	-	-	-	-	9,622,540	18,027	-	-
Other current expenses	-	-	-	-	-	6,127,084	592,511	-	-
	589,950	14,431,161	4,888	1,464,999	16,490,998	15,749,624	610,538	130,836	-
Total Institutional Administration And Support	922,278	35,291,421	7,000	1,067,462	37,288,161	35,534,119	1,112,687	641,355	-
Public Service	52,564	1,453,706	-	49,535	1,555,805	-	-	19,752	-
Adult Education	-	-	-	-	-	1,368,961	26,285	-	-
Personal services	-	-	-	-	-	118,657	22,150	-	-
Other current expenses	-	-	-	-	-	1,487,618	48,435	19,752	-
	52,564	1,453,706	-	49,535	1,555,805	-	-	19,752	-
Public Libraries	458,193	6,881,388	3,774	448,136	7,791,491	-	-	37,009	-
Personal services	-	-	-	-	-	5,204,240	21,091	-	-
Other current expenses	-	-	-	-	-	2,011,072	518,079	-	-
	458,193	6,881,388	3,774	448,136	7,791,491	7,215,312	539,170	37,009	-
Total Public Service	510,757	8,335,094	3,774	497,671	9,347,296	8,702,930	587,605	56,761	-
TOTAL FORMAL EDUCATION	3,302,149	210,175,749	12,245	5,498,823	218,988,966	209,030,764	3,788,795	6,169,407	-
SUPPLEMENTAL PROGRAMS	-	-	-	-	-	-	-	-	-
Library Books For Kaiser High School	-	12,000	-	-	12,000	-	-	12,000	-
Nanaiapono Community - School Museum	-	30,000	-	-	30,000	-	-	10,385	-
Personal services	-	-	-	-	-	16,923	509	-	-
Other current expenses	-	-	-	-	-	1,806	377	-	-
	-	-	-	-	-	18,729	886	10,385	-
Grant-In-Aid To Maui Hui Malama, Inc.	-	19,000	-	-	19,000	-	-	19,000	-

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
GENERAL FUNDStatement of appropriations, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriations	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Lapsed Balance	Continuing Appropriations
Careers Opportunities Program	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ 100,000	\$ -
Other current expenses	-	-	-	-	-	-	50,000	-	-
	-	150,000	-	-	150,000	-	50,000	100,000	-
Health, Safety And Sanitation Equipment For The School Lunch Program	-	25,000	-	-	25,000	-	-	25,000	-
Foreign Language Education	-	90,000	-	-	90,000	-	-	-	-
Other current expenses	-	-	-	-	-	-	90,000	-	-
	-	90,000	-	-	90,000	-	90,000	-	-
Acquisition Of Judo Mats	-	25,000	-	-	25,000	-	-	25,000	-
	-	351,000	-	-	351,000	18,729	140,886	191,385	-
TOTAL SUPPLEMENTAL PROGRAMS	-	-	-	-	-	-	-	-	-
PRIOR YEAR SUPPLEMENTAL PROGRAMS	36,042	-	-	-	36,042	-	-	1,941	-
Special Education Summer School Program	-	-	-	-	-	34,101	-	-	-
Other current expenses	36,042	-	-	-	36,042	34,101	-	1,941	-
	8,650	-	-	-	8,650	-	-	-	-
3 On 2 External Evaluation	-	-	-	-	-	8,650	-	-	-
Other current expenses	8,650	-	-	-	8,650	8,650	-	-	-
Renovation Of Automobiles	25,000	-	-	-	25,000	-	-	237	-
Other current expenses	-	-	-	-	-	24,763	-	-	-
	25,000	-	-	-	25,000	24,763	-	237	-
Field Test Teacher Evaluation Program	23,883	-	-	-	23,883	-	-	-	-
Other current expenses	-	-	-	-	-	23,883	-	-	-
	23,883	-	-	-	23,883	23,883	-	-	-
Contractual Diagnostic Services	200,000	-	-	-	200,000	-	-	-	-
Other current expenses	-	-	-	-	-	200,000	-	-	-
	200,000	-	-	-	200,000	200,000	-	-	-
TOTAL PRIOR YEAR SUPPLEMENTAL PROGRAMS	293,575	-	-	-	293,575	291,397	-	2,178	-

The accompanying notes are an integral part of the financial statements.

EXHIBIT A
(Cont'd)

STATE OF HAWAII
DEPARTMENT OF EDUCATION
GENERAL FUND

Statement of appropriations, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriations	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Lapsed Balance	Continuing Appropriations
<u>PROGRESSIVE NEIGHBORHOOD DEVELOPMENT</u>									
Personal services	\$ 4,838	\$ -	\$ -	\$ 77,796	\$ 82,634	\$ -	\$ -	\$ -	\$ 2,553
Other current expenses	-	-	-	-	-	79,151	-	-	-
						930	-	-	-
	4,838	-	-	77,796	82,634	80,081	-	-	2,553
TOTAL PROGRESSIVE NEIGHBORHOOD DEVELOPMENT	4,838	-	-	77,796	82,634	80,081	-	-	2,553
<u>STATE INSURANCE FUND</u>									
Hilo High School	-	-	-	50,399	50,399	35,753	14,239	-	407
Ceetle High School	-	-	-	2,686	2,686	1,318	1,368	-	-
Kahuku High and Elementary School	-	-	-	447	447	369	78	-	-
Kaneohe Elementary School	-	-	-	59,090	59,090	-	6,067	-	53,023
Lehua Elementary School	-	-	-	1,342	1,342	-	-	-	1,342
Prior Years' Accounts	140,471	-	-	-	140,471	67,494	32,283	15	40,679
								15	95,451
TOTAL STATE INSURANCE FUND	140,471	-	-	113,964	254,435	104,934	54,035	15	95,451
TOTAL GENERAL FUND	\$3,741,032	\$210,526,749	\$12,245	\$5,690,583	\$219,970,610	\$209,525,905	\$3,983,716	\$6,362,985	\$98,004

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
FEDERAL FUNDS							
FORMAL EDUCATION							
Instruction							
Regular Instruction Program	\$ -	\$17,499,733	\$ 158,930	\$17,658,663	\$ -	\$ -	\$ 23,950
Personal services	-	-	-	-	17,114,466	90,552	-
Other current expenses	-	-	-	-	357,381	72,314	-
	-	17,499,733	158,930	17,658,663	17,471,847	162,866	23,950
Other Regular Instruction Programs	-	97,500	25,196	122,696	-	-	15,920
Personal services	-	-	-	-	61,323	3,706	-
Other current expenses	-	-	-	-	31,660	10,087	-
	-	97,500	25,196	122,696	92,983	13,793	15,920
Exceptional Child Program	-	1,452,140	1,431	1,453,571	-	-	16,680
Personal services	-	-	-	-	480,585	55,573	-
Other current expenses	-	-	-	-	637,444	263,289	-
	-	1,452,140	1,431	1,453,571	1,118,029	318,862	16,680
Compensatory Education	-	11,298,665	(250,318)	11,048,347	-	-	806,668
Personal services	-	-	-	-	7,556,520	1,013,568	-
Other current expenses	-	-	-	-	1,400,074	271,517	-
	-	11,298,665	(250,318)	11,048,347	8,956,594	1,285,085	806,668
Total Instruction	-	30,348,038	(64,761)	30,283,277	27,639,453	1,780,606	863,218
Instructional Administration And Support							
Instructional Media	-	869,854	10,459	880,313	-	-	90,648
Personal services	-	-	-	-	54,178	76	-
Other current expenses	-	-	-	-	513,375	222,036	-
	-	869,854	10,459	880,313	567,553	222,112	90,648
Instructional Development	-	972,832	84,071	1,056,903	-	-	80,083
Personal services	-	-	-	-	355,705	3,654	-
Other current expenses	-	-	-	-	521,192	90,269	-
	-	972,832	84,071	1,056,903	882,897	93,923	80,083

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
	\$ -	\$ 11,744	\$ -	\$ 11,744	\$ -	\$ -	\$ -
Counseling	-	-	-	-	3,244	8,500	-
Other current expenses	-	11,744	-	11,744	3,244	8,500	-
Total Instructional Administration And Support	-	1,854,430	94,530	1,948,960	1,453,694	324,535	170,731
Institutional Administration And Support	-	745,904	54,781	800,685	-	-	123,627
State administration	-	-	-	-	450,778	8,074	-
Personal services	-	-	-	-	160,519	57,687	-
Other current expenses	-	745,904	54,781	800,685	611,297	65,761	123,627
School food services	-	160,764	(22,665)	138,099	-	-	8,009
Personal services	-	-	-	-	39,830	183	-
Other current expenses	-	160,764	(22,665)	138,099	36,230	53,847	-
Total Institutional Administration And Support	-	906,668	32,116	938,784	687,357	119,791	131,636
Public Service	-	369,253	19,447	388,700	-	-	31,700
Adult Education	-	-	-	-	303,098	26,856	-
Personal services	-	-	-	-	17,611	9,435	-
Other current expenses	-	369,253	19,447	388,700	320,709	36,291	31,700
Public Libraries	-	284,021	56,494	340,515	-	-	11,539
Personal services	-	-	-	-	134,419	1,591	-
Other current expenses	-	284,021	56,494	340,515	112,863	80,103	-
Total Public Service	-	653,274	75,941	729,215	247,282	81,694	11,539
TOTAL FORMAL EDUCATION	-	33,762,410	137,826	33,900,236	567,991	117,985	43,239
					30,348,495	2,342,917	1,208,824

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
OTHER PROGRAMS							
Comprehensive Employment And Training Act (CETA)	\$ 22,599	\$ 27,549	\$ 25,850	\$ 75,998	\$ -	\$ -	\$ 15,220
Personal services	-	-	-	-	36,888	-	-
Other current expenses	-	-	-	-	23,890	-	-
	22,599	27,549	25,850	75,998	60,778	-	15,220
Adult Indo-Chinese Refugee Education Program	2,162	240,000	-	242,162	-	-	9,909
Personal services	-	-	-	-	42,458	4,670	-
Other current expenses	-	-	-	-	181,856	3,269	-
	2,162	240,000	-	242,162	224,314	7,939	9,909
Regular Instruction - Primarily Federal Revenue Sharing Program	301,724	-	2,845,323	3,147,047	-	-	4,182
Personal services	-	-	-	-	3,085,294	-	-
Other current expenses	-	-	-	-	57,571	-	-
	301,724	-	2,845,323	3,147,047	3,142,865	-	4,182
Public Housing Students Grants	328,063	314,962	-	643,025	-	-	229,339
Personal services	-	-	-	-	246,398	28,595	-
Other current expenses	-	-	-	-	113,694	24,999	-
	328,063	314,962	-	643,025	360,092	53,594	229,339
Consumer Education	-	24,095	-	24,095	-	-	1,258
Other current expenses	-	-	-	-	18,323	4,514	-
	-	24,095	-	24,095	18,323	4,514	1,258
Gifted And Talented Children Project	-	48,017	6,343	54,360	-	-	-
Personal services	-	-	-	-	31,812	306	-
Other current expenses	-	-	-	-	15,738	6,504	-
	-	48,017	6,343	54,360	47,550	6,810	-

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
Dissemination Special Purpose Project	\$ -	\$ 22,000	\$ -	\$ 22,000	\$ -	\$ -	\$ 9,324
Personal services	-	-	-	-	1,200	246	-
Other current expenses	-	-	-	-	4,346	6,884	-
	-	22,000	-	22,000	5,546	7,130	9,324
TOTAL OTHER PROGRAMS	654,548	676,623	2,877,516	4,208,687	3,859,468	79,987	269,232
PRIOR YEARS' PROGRAMS							
Indo-Chinese Migration And Refugee Assistance Act	84,621	-	(2,207)	82,414	-	-	-
Personal services	-	-	-	-	22,154	-	-
Other current expenses	-	-	-	-	60,260	-	-
	84,621	-	(2,207)	82,414	82,414	-	-
Special Program - Special Education	110,397	-	4,828	115,225	-	-	-
Personal services	-	-	-	-	20,061	-	-
Other current expenses	-	-	-	-	95,164	-	-
	110,397	-	4,828	115,225	115,225	-	-
Special Program - Compensatory Education	941,132	-	250,177	1,191,309	-	-	-
Personal services	-	-	-	-	936,585	-	-
Other current expenses	-	-	-	-	240,289	14,435	-
	941,132	-	250,177	1,191,309	1,176,874	14,435	-
Instructional Support - Instructional Media	181,519	-	(2,952)	178,567	-	-	-
Personal services	-	-	-	-	298	-	-
Other current expenses	-	-	-	-	178,269	-	-
	181,519	-	(2,952)	178,567	178,567	-	-
Instructional Support - Curriculum Services	245,238	-	(84,659)	160,579	-	-	-
Personal services	-	-	-	-	7,769	-	-
Other current expenses	-	-	-	-	140,920	11,890	-
	245,238	-	(84,659)	160,579	148,689	11,890	-

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
	\$	\$	\$	\$	\$	\$	\$
Instructional Support - School Food Services	165,554	-	(14,289)	151,265	-	-	-
Personal services	-	-	-	-	271	-	-
Other current expenses	-	-	-	-	150,994	-	-
	165,554	-	(14,289)	151,265	151,265	-	-
Institutional Support - Executive Direction	153,194	-	(71,919)	81,275	-	-	-
Personal services	-	-	-	-	4,265	-	-
Other current expenses	-	-	-	-	72,690	4,320	-
	153,194	-	(71,919)	81,275	76,955	4,320	-
Adult Education	61,255	-	(26,558)	34,697	-	-	-
Personal services	-	-	-	-	25,934	-	-
Other current expenses	-	-	-	-	8,763	-	-
	61,255	-	(26,558)	34,697	34,697	-	-
Public Libraries	268,073	-	(56,495)	211,578	-	-	-
Personal services	-	-	-	-	1,397	-	-
Other current expenses	-	-	-	-	187,156	23,025	-
	268,073	-	(56,495)	211,578	188,553	23,025	-
Continuing Education - Public Library	250	-	-	250	-	-	-
Other current expenses	-	-	-	-	250	-	-
	250	-	-	250	250	-	-
Support - School Lunch	528	-	-	528	-	-	528
	2,211,761	-	(4,074)	2,207,687	2,153,489	53,670	528
TOTAL PRIOR YEARS' PROGRAMS							
	2,866,309	34,439,033	3,011,268	40,316,610	36,361,452	2,476,574	1,478,584
TOTAL FEDERAL FUNDS							

The accompanying notes are an integral part of the financial statements.

EXHIBIT B
(Cont'd)

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
OTHER SPECIAL REVENUE FUNDS							
Lahainauna Boarding Dept.	\$ 46,711	\$ 9,891	\$ -	\$ 56,602	\$ -	\$ -	\$ 43,310
Personal services	-	-	-	-	9,392	-	-
Other current expenses	-	-	-	-	-	3,900	-
	46,711	9,891	-	56,602	9,392	3,900	43,310
Public Service - Adult Education	88,537	419,926	-	508,463	-	-	57,171
Personal services	-	-	-	-	379,359	21,556	-
Other current expenses	-	-	-	-	46,199	4,178	-
	88,537	419,926	-	508,463	425,558	25,734	57,171
Instructional Support - Curriculum Services	9,955	-	(9,955)	-	-	-	-
Food Services - School Food Services	27,219	14,873,979	-	14,901,198	-	-	127,773
Personal services	-	-	-	-	2,884,247	80	-
Other current expenses	-	-	-	-	11,889,098	-	-
	27,219	14,873,979	-	14,901,198	14,773,345	80	127,773
Hawaiian Homes Educational Projects	105,458	-	279,536	384,994	-	-	55,922
Personal services	-	-	-	-	251,041	39,249	-
Other current expenses	-	-	-	-	36,814	1,968	-
	105,458	-	279,536	384,994	287,855	41,217	55,922
State School Revolving Fund	50,633	93,565	-	144,198	104,676	11,486	28,036
Summer School Revolving Fund	415,046	567,799	200	983,045	481,138	14,216	487,691
Summer School Program - Handicapped Children	23,931	39,143	(200)	62,874	-	-	18,597
Personal services	-	-	-	-	7,259	-	-
Other current expenses	-	-	-	-	2,219	34,799	-
	23,931	39,143	(200)	62,874	9,478	34,799	18,597

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
SPECIAL REVENUE FUNDS

EXHIBIT B
(Cont'd)

Statement of appropriated receipts, allotments, expenditures and encumbrances
for the year ended June 30, 1978

	Balance Forward	Appropriated Receipts	Transfers and Other Items	Total	Expenditures	Encumbrances	Continuing Appropriations
Vocational Rehabilitation Special Education							
Operational Tangent	\$ 6,949	-	\$ 42,613	\$ 49,562	\$ -	\$ -	\$ 289
Personal services	-	-	-	-	38,620	187	-
Other current expenses	6,949	-	-	-	8,412	2,054	-
State Commission On Aging Project							
Personal services	5,406	17,029	42,613	49,562	47,032	2,241	289
Other current expenses	-	-	(238)	22,197	-	-	6,501
	-	-	-	-	12,551	1,252	-
	5,406	-	-	-	134	1,759	-
	-	17,029	(238)	22,197	12,685	3,011	6,501
General Immigration Service Projects							
Personal services	4,153	-	(1,311)	2,842	-	-	-
Other current expenses	-	-	-	-	1,540	-	-
	4,153	-	-	-	1,302	-	-
	-	-	(1,311)	2,842	2,842	-	-
Jarrett Teacher Corps Project							
Personal services	-	5,546	-	5,546	-	-	1,314
	-	-	-	-	-	4,232	-
	-	5,546	-	5,546	-	4,232	1,314
Damaged And Lost Equipment, Textbooks And Supplies							
Other current expenses	27,353	35,500	-	62,853	-	-	35,957
	-	-	-	-	22,875	4,021	-
	27,353	35,500	-	62,853	22,875	4,021	35,957
Driver Education Program							
Personal services	186,638	231,696	-	418,334	-	-	335,714
Other current expenses	-	-	-	-	44,188	9,798	-
	186,638	-	-	-	16,564	12,070	-
	-	231,696	-	418,334	60,752	21,868	335,714
TOTAL OTHER SPECIAL REVENUE FUNDS	997,989	16,294,074	310,645	17,602,708	16,237,628	166,805	1,198,275
TOTAL SPECIAL REVENUE FUNDS	\$3,864,298	\$50,733,107	\$3,321,913	\$57,919,318	\$52,599,080	\$2,643,379	\$2,676,859

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
STATE OF HAWAII SPECIAL REVENUE FUNDS
Statement of revenue
for the year ended June 30, 1978

	Estimated Revenue	Actual Revenue	Actual Revenue Over (Under) Estimate
FEDERAL FUNDS			
Federal Grant-In-Aids			
Assistance For Educational Agencies Affected By Federal Activities, P.L. 81-874	\$12,400,000	\$16,453,242	\$4,053,242
Vocational Technical ERCE, Holomua Project, Part D, P.L. 81-874	-	135,299	135,299
Vocational Education Amendment Of 1976, P.L. 94-482	806,988	986,256	179,268
Consumer Education Program, P.L. 89-10, As Amended	-	24,095	24,095
Right To Read Project, P.L. 93-380	58,527	86,000	27,473
Metric Education, P.L. 93-380	-	11,500	11,500
Programs For Children With Specific Learning Disabilities, P.L. 94-142 VI G	-	120,000	120,000
Handicapped In State Supported Schools, P.L. 89-313	302,795	482,140	179,345
Educational Improvement Of Handicapped, P.L. 91-230, Part B, Title VI	400,000	984,000	584,000
Gifted And Talented Children - State Agencies, P.L. 93-380	-	48,017	48,017
Indo-Chinese Migration And Refugee Assistance Act Of 1975	252,284	323,455	71,171
Children In Adult Correctional Institutions	-	20,956	20,956
Follow Through Project, P.L. 93-644	328,461	373,404	44,943
Bilingual Education, P.L. 90-247	609,459	468,470	(140,989)
Emergency School Aid Act, P.L. 92-318 As Amended By P.L. 93-380	2,154,922	2,516,101	361,179
ESEA - Educationally Deprived, P.L. 89-10, Title I	6,122,761	7,519,686	1,396,925
Neglected And Delinquent, P.L. 89-750	36,837	35,730	(1,107)
Public Housing Students Program (LRH)	-	314,962	314,962
Libraries & Learning Resources, Title IV, Part B, P.L. 93-380 (School Libraries)	588,440	869,854	281,414
Guidance & Counseling, P.L. 94-482	-	11,744	11,744
Training Of Professional Personnel In Education Of Handicapped, Part D, P.L. 91-230	60,788	27,000	(33,788)
Educational Innovation & Support, Title IV, Part B & C, P.L. 93-380	632,151	584,800	(47,351)
Career Education Project, P.L. 93-380	-	53,682	53,682
Educationally Deprived, State Administration, P.L. 89-10, Title I	141,210	139,150	(2,060)
Environmental Education, P.L. 91-516	67,195	-	(67,195)
Civil Rights Project, P.L. 88-352	47,317	149,928	102,611
Educational Innovation & Support, Title IV, Part C, P.L. 93-380 (State Administration)	545,414	487,976	(57,438)
State Equalization Plans Project, P.L. 93-380	-	108,000	108,000
National Institute Of Education, Research And Development (Dissemination Special Purpose Project) P.L. 94-482	-	22,000	22,000
Child Nutrition Act, P.L. 89-642	-	109,454	64,454
School Lunch Administrative Expense, P.L. 90-302	45,000	51,310	12,008
Veteran's Training Program, P.L. 89-354	39,302	25,943	(1,567)
Adult Basic Education, P.L. 93-280	27,510	343,310	8,463
Adult Indo-Chinese Refugee Education Program, P.L. 94-23	-	240,000	240,000
Library Services & Construction Act, Title I, P.L. 91-600	352,515	246,000	(106,515)
Inter-Library Cooperation, P.L. 91-600, Title III	41,873	38,020	(3,853)
Total Federal Grant-In-Aids	26,396,596	34,411,484	8,014,888

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
STATE OF HAWAII SPECIAL REVENUE FUNDS
Statement of revenue
for the year ended June 30, 1978

	Estimated Revenue	Actual Revenue	Actual Revenue Over (Under) Estimate
CETA Windward Campus Beautification Project	\$ -	\$ 27,549	\$ 27,549
TOTAL FEDERAL FUNDS	26,396,596	34,439,033	8,042,437
OTHER SPECIAL REVENUE FUNDS			
Lahainaluna Boarding Dept. - Farm Sales	10,850	9,891	(959)
Public Service Adult Education - Tuition	816,256	419,926	(396,330)
School Food Services -			
Federal Cash Subsidy - U.S. Department of Agriculture		8,927,587	
Meat Sales		5,946,392	
State School Revolving Fund - Book Sales	13,604,425	14,873,979	1,269,554
Summer School Revolving Fund - Tuition And Other Fees	-	93,565	93,565
Summer School Program - Handicapped Children - Tuition	-	567,799	567,799
State Commission On Aging - Grant	-	39,143	39,143
Jarrett Teacher Corps Project - Grant From The University Of Hawaii	-	17,029	17,029
Collections For Damaged And Lost Equipment, Textbooks And Supplies	-	5,546	5,546
Driver Education Fund - Underwriter's Fee	-	35,500	35,500
TOTAL OTHER SPECIAL REVENUE FUNDS	14,431,531	231,696	231,696
	14,431,531	16,294,074	1,862,543
TOTAL REVENUE	\$40,828,127	\$50,733,107	\$9,904,980

The accompanying notes are an integral part of the financial statements.

Combined balance sheet - June 30, 1978

[illegible]

CASH WITH TREASURY

RESERVES:
 For school purposes
 For temporary deposits
 For library purposes
 For school athletics
 Other

The accompanying notes are an integral part of the financial statements.

STATE OF HAWAII
DEPARTMENT OF EDUCATION
TRUST FUNDS

Combined statement of cash receipts and disbursements
for the year ended June 30, 1978

	Donations - Education	Temporary Deposits - Education	Temporary Deposits - Public Library	State	Maui	Hawaii	Kauai	Other	Foundations And Other Grants	State Schools Athletic Fund	Donations For Transcribing Services	Total
CASH BALANCE - JULY 1, 1977	\$41,152	\$9,542	\$469	\$24,307	\$129	\$421	\$787	\$ 8,041	\$25,864	\$226,613	\$3,964	\$ 341,289
RECEIPTS:												
Athletic program receipts	-	-	-	-	-	-	-	-	-	768,723	-	768,723
Donations and gifts	52,941	-	-	19,738	115	-	32	15,600	53,916	-	140	142,482
	94,093	9,542	469	44,045	244	421	819	23,641	79,780	995,336	4,104	1,252,494
DISBURSEMENTS:												
Personal services, other current expenses and reimbursements	42,654	-	-	16,892	42	363	298	6,642	40,642	721,849	3,403	832,785
Transfers to the State of Hawaii General Fund	-	8,599	469	-	-	-	-	-	-	-	-	9,068
	42,654	8,599	469	16,892	42	363	298	6,642	40,642	721,849	3,403	841,853
CASH BALANCE - JUNE 30, 1978	\$51,439	\$ 943	\$ -	\$27,153	\$202	\$ 58	\$521	\$16,999	\$39,138	\$273,487	\$ 701	\$ 410,641

The accompanying notes are an integral part of the financial statements.

SCHEDULE I

STATE OF HAWAII
DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION				FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES			
	Basic Needs	Special Needs	Total		Basic Needs	Special Needs	Total	
Honolulu District -								
Aina Haina	\$ 415,854	\$ 5,598	\$ 421,452	\$	\$ 446,728	\$ 2,893	\$ 449,621	
Ala Wai	641,381	7,614	648,995		652,702	3,712	656,414	
Aliiolani	389,375	5,297	394,672		406,379	2,708	409,087	
Anuenue	158,002	3,295	161,297		140,288	1,630	141,918	
Central Intermediate	493,551	6,368	499,919		517,537	3,179	520,716	
Dole Intermediate	834,646	9,861	844,507		834,365	4,939	839,304	
Farrington High	1,854,355	19,766	1,874,121		1,878,057	9,952	1,888,009	
Fern	556,018	6,585	562,603		500,640	3,065	503,705	
Hahaione	545,040	6,998	552,038		558,710	3,420	562,130	
Hokulani	196,352	3,785	200,137		218,827	1,919	220,746	
Jarrett Intermediate	480,114	5,899	486,013		455,771	2,886	458,657	
Jefferson	551,909	6,655	558,564		504,317	3,065	507,382	
Kaahumanu	656,944	7,852	664,796		665,979	3,912	669,891	
Kaewai	384,342	5,213	389,555		387,347	2,552	389,899	
Kahala	414,750	5,437	420,187		402,818	2,740	405,558	
Kaimuki High	1,374,678	14,502	1,389,180		1,382,295	7,217	1,389,512	
Kaimuki Intermediate	827,581	9,973	837,554		887,358	5,200	892,558	
Kailani	347,071	4,891	351,962		341,602	2,421	344,023	
Kalakaua Intermediate	1,030,691	11,793	1,042,484		1,053,445	5,869	1,059,314	
Kalani High	1,341,056	14,180	1,355,236		1,450,342	7,471	1,457,813	
Kalihi	392,085	5,703	397,788		402,152	2,815	404,967	
Kalihi-Kai	733,546	8,272	741,818		765,999	4,319	770,318	
Kalihi-Uka	329,596	4,695	334,291		343,562	2,331	345,893	
Kalihi-Waena	509,970	6,515	516,485		512,441	3,238	515,679	
Kapalama	638,309	7,551	645,860		614,397	3,727	618,124	
Kauluwela	439,692	6,025	445,717		455,888	3,220	459,108	
Kawanakoa Intermediate	820,032	9,602	829,634		821,186	4,854	826,040	
Koko Head	546,574	6,291	552,865		542,245	3,195	545,440	
Kuhio	434,054	5,556	439,610		465,305	1,862	467,167	
Lanakila	405,907	5,304	411,211		409,151	2,729	411,880	
Liholiho	352,251	4,681	356,932		321,009	2,280	323,289	
Likelike	411,766	5,521	417,287		415,326	2,736	418,062	
Liliuokalani	316,601	4,324	320,925		280,219	2,099	282,318	
Linapuni	213,549	3,897	217,446		205,794	1,903	207,697	
Lincoln	500,905	6,151	507,056		512,530	3,004	515,534	
Lunalilo	686,754	8,132	694,886		696,509	4,036	700,545	
Maemae	744,475	8,363	752,838		726,908	4,009	730,917	
Manoa	542,928	6,410	549,338		524,949	3,162	528,111	
McKinley High	1,679,100	18,044	1,697,144		1,756,323	9,074	1,765,397	
Niu Valley Intermediate	828,330	9,805	838,135		837,631	4,833	842,464	
Noelani	303,150	4,324	307,474		288,147	2,166	290,313	
Nuuanu	204,477	3,687	208,164		265,785	2,296	268,081	
Paloalo	369,650	4,912	374,562		389,712	2,530	392,242	
Subtotal carried forward	25,897,411	315,327	26,212,738		26,238,675	157,168	26,395,843	

STATE OF HAWAII
DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION			FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES		
	Basic Needs	Special Needs	Total	Basic Needs	Special Needs	Total
Subtotal brought forward	\$ 25,897,411	\$ 315,327	\$ 26,212,738	\$ 26,238,675	\$ 157,168	\$ 26,395,843
Paoua	380,544	5,220	385,764	375,619	2,596	378,215
Puuhale	395,075	5,087	400,162	343,340	2,433	345,773
Roosevelt High	1,225,466	13,844	1,239,310	1,311,200	7,107	1,318,307
Royal	290,840	4,401	295,241	328,165	2,447	330,612
Stevenson Intermediate	760,277	8,797	769,074	747,676	4,482	752,158
Waialae	371,062	4,639	375,701	348,029	2,435	350,464
Waikiki	294,799	4,247	299,046	287,349	2,131	289,480
Wailupe Valley	144,396	3,015	147,411	144,679	1,487	146,166
Washington Intermediate	938,130	11,184	949,314	964,345	5,547	969,892
Wilson	346,886	4,821	351,707	349,159	2,366	351,525
Kaiser High	1,192,082	14,215	1,206,297	1,217,320	7,005	1,224,325
Kamiloiki	626,265	7,390	633,655	578,792	3,505	582,297
District School Reserve	-	-	-	8,056	-	8,056
District Reserve	-	-	-	(884)	-	(884)
Total Honolulu District	32,863,233	402,187	33,265,420	33,241,520	200,709	33,442,229
Central District -						
Aiea Elementary	397,823	5,500	403,323	389,146	2,690	391,836
Aiea High	1,340,515	15,482	1,355,997	1,389,494	7,672	1,397,166
Aiea Intermediate	716,166	8,944	725,110	762,334	4,420	766,754
Aliamanu Elementary	847,054	10,302	857,356	857,225	4,943	862,168
Aliamanu Intermediate	926,385	11,086	937,471	929,262	4,993	934,255
Hale Kula Elementary	753,518	9,518	763,036	720,013	4,692	724,705
Haleiwa Elementary	302,537	4,793	307,330	291,446	2,293	293,739
Helemano Elementary	290,266	4,660	294,926	276,538	2,313	278,851
Hickam Elementary	491,585	6,900	498,485	485,760	3,366	489,126
Iliahi Elementary	285,495	4,268	289,763	247,301	2,065	249,366
Kaala Elementary	461,606	5,822	467,428	421,016	2,768	423,784
Kipapa Elementary	514,053	7,334	521,387	486,173	3,516	489,689
Kunia Elementary	75,931	2,609	78,540	83,608	1,289	84,897
Leilehua High	1,485,954	17,281	1,503,235	1,504,450	8,710	1,513,160
Makalapua Elementary	358,465	5,346	363,811	318,596	2,309	320,905
Mililani High	789,638	10,589	800,227	783,543	5,462	789,005
Mililani-Uka Elementary	473,258	6,949	480,207	475,225	3,798	479,023
Mililani Waena Elementary	590,640	7,740	598,380	565,964	3,523	569,487
Moanalua Elementary	587,551	7,558	595,109	591,035	3,786	594,821
Moanalua High	1,068,084	13,347	1,081,431	1,048,270	6,575	1,054,845
Moanalua Intermediate	568,479	7,775	576,254	549,545	3,815	553,360
Mokulele Elementary	464,711	6,946	471,657	387,209	2,673	389,882
Nimitz Elementary	609,669	8,027	617,696	655,713	4,146	659,859
Pearl Harbor Elementary	580,961	7,514	588,475	537,621	3,514	541,135
Pearl Harbor Kai Elementary	393,554	5,514	399,068	376,716	2,676	379,392
Subtotal carried forward	15,343,898	200,906	15,544,804	15,133,203	98,007	15,231,210

SCHEDULE I
(Cont'd)

DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION			FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES		
	Basic Needs	Special Needs	Total	Basic Needs	Special Needs	Total
Subtotal brought forward	\$ 15,343,898	\$ 200,906	\$ 15,544,804	\$ 15,133,203	\$ 98,007	\$ 15,231,210
Pearl Ridge Elementary	328,916	5,059	333,975	336,679	2,680	339,359
Radford High	1,615,974	17,848	1,633,822	1,598,783	8,517	1,607,300
Red Hill Elementary	461,316	6,431	467,747	468,635	3,300	471,935
Salt Lake Elementary	614,876	8,034	622,910	603,629	3,870	607,499
Scott Elementary	666,074	8,195	674,269	688,683	4,162	692,845
Shafter Elementary	310,896	5,164	316,060	307,083	2,428	309,511
Solomon Elementary	712,037	9,455	721,492	696,263	4,267	700,530
Wahiawa Elementary	501,536	6,438	507,974	465,854	3,019	468,873
Wahiawa Intermediate	736,895	9,252	746,147	758,882	4,587	763,469
Waialua Elementary	310,495	5,304	315,799	320,212	2,673	322,885
Waialua High-Intermediate	697,024	8,979	706,003	765,749	4,633	770,382
Webbing Elementary	322,170	4,737	326,907	322,640	2,383	325,023
Wheeler Elementary	552,920	7,159	560,079	505,241	3,615	508,856
Wheeler Intermediate	459,132	6,844	465,976	484,207	3,453	487,660
District School Level Expenditures	-	-	-	32,447	-	32,447
District Reserve	-	-	-	2,184	-	2,184
Total Central District	23,634,159	309,805	23,943,964	23,490,374	151,594	23,641,968
Leeward District -						
August Ahrens Elementary	1,126,557	12,885	1,139,442	1,171,477	6,457	1,177,934
Barber's Point Elementary	621,174	9,049	630,223	608,262	4,171	612,433
Campbell High	1,541,453	18,058	1,559,511	1,504,173	9,025	1,513,198
Ewa Elementary	325,769	5,192	330,961	338,614	2,512	341,126
Ewa Beach Elementary	491,223	6,921	498,144	506,841	3,433	510,274
Highlands Intermediate	941,348	11,114	952,462	949,131	5,735	954,866
Honowai Elementary	547,911	7,663	555,574	603,313	3,863	607,176
Ilima Intermediate	892,011	11,653	903,664	901,356	5,630	906,986
Iroquois Point Elementary	598,494	8,468	606,962	595,724	3,926	599,650
Kamiloa Elementary	431,591	6,781	438,372	464,257	3,370	467,627
Lehua Elementary	491,653	6,753	498,406	476,433	3,124	479,557
Maili Elementary	617,432	8,776	626,208	624,742	4,207	628,949
Makaha Elementary	502,139	7,915	510,054	536,446	3,698	540,144
Makakilo Elementary	308,510	5,794	314,304	327,978	2,885	330,863
Manana Elementary	519,541	6,683	526,224	527,324	3,341	530,665
Mauka Lani Elementary	284,674	4,940	289,614	252,231	2,232	254,463
Momilani Elementary	272,525	5,220	277,745	310,601	2,589	313,190
Nanaikapo Elementary	477,184	8,412	485,596	685,565	4,287	689,852
Nanakuli II Elementary	208,338	3,673	212,011	143,568	1,535	145,103
Nanakuli High & Intermediate	851,979	10,939	862,918	810,779	5,172	815,951
Palisades Elementary	664,084	8,328	672,412	678,881	4,034	682,915
Pearl City Elementary	493,486	6,319	499,805	491,187	3,104	494,291
Subtotal carried forward	13,209,076	181,536	13,390,612	13,538,883	88,330	13,627,213

STATE OF HAWAII
DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION			FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES		
	Basic Needs	Special Needs	Total	Basic Needs	Special Needs	Total
Subtotal brought forward	\$ 13,209,076	\$ 181,536	\$ 13,390,612	\$ 13,538,883	\$ 88,330	\$ 13,627,213
Pearl City High	1,624,185	18,366	1,642,551	1,671,469	7,243	1,678,712
Pearl City Highlands Elementary	525,462	6,760	532,222	533,140	3,261	536,401
Pohakea Elementary	518,939	7,754	526,693	561,379	3,906	565,285
Waianae Elementary	917,799	11,625	929,424	912,643	5,348	917,991
Waianae High	1,073,006	14,831	1,087,837	1,056,771	7,442	1,064,213
Waianae Intermediate	578,341	8,300	586,641	608,630	3,898	612,528
Waiolu Elementary	352,655	5,360	358,015	326,760	2,550	329,310
Waimalu Elementary	504,384	6,137	510,521	474,427	3,121	477,548
Waipahu Elementary	602,616	7,859	610,475	654,171	4,070	658,241
Waipahu High	1,469,177	16,896	1,486,073	1,493,051	8,458	1,501,509
Waipahu Intermediate	653,545	8,608	662,153	732,370	4,499	736,869
District School Level Expenditures	-	-	-	5,567	-	5,567
District Reserve	-	-	-	6,357	-	6,357
Total Leeward District	22,029,185	294,032	22,323,217	22,575,618	142,126	22,717,744
Windward District -						
Aiea	455,014	5,696	460,710	495,980	3,261	499,241
Castle	1,848,393	19,717	1,868,110	1,938,831	10,075	1,948,906
Enchanted Lake	441,559	6,235	447,794	413,447	2,998	416,445
Hauula	312,086	4,954	317,040	327,298	2,355	329,653
Heeia	486,853	6,354	493,207	463,331	3,202	466,533
Kaaawa	80,189	2,756	82,945	98,998	1,431	100,429
Kahaluu	366,812	5,164	371,976	360,606	2,582	363,188
Kahuku	1,021,452	12,297	1,033,749	1,081,697	6,327	1,088,024
Kailua Elementary	482,733	5,913	488,646	478,698	2,699	481,397
Kailua High	1,359,138	14,929	1,374,067	1,429,328	7,528	1,436,856
Kailua Intermediate	966,663	10,071	976,734	941,991	4,872	946,863
Kainalu	511,064	6,123	517,187	511,554	3,205	514,759
Kalaheo	1,108,998	12,717	1,121,715	1,142,823	6,453	1,149,276
Kaneohe	469,732	5,626	475,358	431,378	2,778	434,156
Puohala	406,460	5,381	411,841	423,875	2,644	426,519
Kapunahala	426,645	5,150	431,795	389,175	2,566	391,741
Keolu	423,005	5,500	428,505	413,763	2,763	416,526
King	1,318,487	13,851	1,332,338	1,280,948	6,586	1,287,534
Laie	423,337	6,424	429,761	442,506	3,198	445,704
Lanikai	150,566	3,428	153,994	167,841	1,688	169,529
Maunawili	445,639	5,416	451,055	411,264	2,809	414,073
Mokapu	718,131	9,210	727,341	773,190	4,762	777,952
Parker	703,241	7,768	711,009	674,985	3,888	678,873
Pope	324,488	5,017	329,505	330,165	2,418	332,583
Sunset Beach	-	-	-	133,415	1,749	135,164
Waiahole	155,724	3,568	159,292	165,979	1,718	167,697
Subtotal carried forward	15,406,409	189,265	15,595,674	15,723,066	96,555	15,819,621

STATE OF HAWAII
DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION			FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES		
	Basic Needs	Special Needs	Total	Basic Needs	Special Needs	Total
Subtotal brought forward	\$ 15,406,409	\$ 189,265	\$ 15,595,674	\$ 15,723,066	\$ 96,555	\$ 15,819,621
Waimanalo	598,543	6,886	605,429	635,096	3,485	638,581
Kaelepu	128,786	3,540	132,326	160,406	1,893	162,299
Ahuimanu	296,620	4,597	301,217	283,602	2,269	285,871
District School Level Expenditures	-	-	-	9,849	-	9,849
Olomana	-	-	-	7,996	-	7,996
Total Windward District	16,430,358	204,288	16,634,646	16,820,015	104,202	16,924,217
Hawaii District -						
District Office - Hawaii	-	-	-	38,501	-	38,501
Desilva	260,808	4,583	265,391	254,044	2,208	256,252
Haheo	92,491	2,805	95,296	81,270	1,378	82,648
Hilo High	481,075	15,937	497,012	1,332,261	6,724	1,338,985
Hilo Intermediate	373,154	5,759	378,913	604,654	3,775	608,429
Hilo Union	480,102	6,291	486,393	465,333	3,039	468,372
Holualoa	164,211	3,568	167,779	159,473	1,535	161,008
Honauau	171,363	3,610	174,973	191,814	1,959	193,773
Honokaa	720,930	8,426	729,356	734,025	4,201	738,226
Hookena	96,186	2,847	99,033	108,928	1,455	110,383
Kalaniana'ole Elementary & Inter.	619,932	7,173	627,105	606,949	3,671	610,620
Kapiolani	425,660	6,165	431,825	445,966	3,013	448,979
Kau High & Pahala Elementary	463,573	5,717	469,290	447,688	2,792	450,480
Kaunana	124,611	3,274	127,885	128,253	1,633	129,886
Keau Elementary & Intermediate	377,622	5,416	383,038	361,012	2,548	363,560
Kealakehe	692,126	9,238	701,364	686,616	4,448	691,064
Keaukaha	164,785	3,561	168,346	160,843	1,844	162,687
Kohala High & Elementary	599,115	7,103	606,218	595,933	3,573	599,506
Konawaena	468,450	6,081	474,531	421,441	2,897	424,338
Konawaena High & Intermediate	830,069	10,155	840,224	864,954	4,990	869,944
Laupahoehoe High & Elementary	385,602	4,562	390,164	391,820	2,310	394,130
Mountain View Elementary & Inter.	228,123	3,897	232,020	211,704	1,894	213,598
Naalehu	203,911	3,813	207,724	207,976	1,925	209,901
Paaulo Elementary & Intermediate	157,926	3,379	161,305	177,472	1,773	179,245
Pahoa High & Elementary	732,905	8,615	741,520	729,863	4,283	734,146
Waiakea High	505,218	6,718	511,936	518,914	3,424	522,338
Waiakea Intermediate	553,255	6,774	560,029	589,042	3,442	592,484
Waiakeawaena	408,700	5,584	414,284	425,013	2,939	427,952
Waimaea Elementary & Intermediate	684,789	7,887	692,676	655,788	3,893	659,681
District School Level Expenditures	403,346	6,025	409,371	369,393	2,923	372,316
District Reserve	-	-	-	19,172	-	19,172
Total Hawaii District	11,870,038	174,963	12,045,001	12,989,289	86,489	13,075,778

STATE OF HAWAII
DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION			FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES		
	Basic Needs	Special Needs	Total	Basic Needs	Special Needs	Total
Maui District -						
Baldwin High	1,010,372	10,757	1,021,129	1,005,581	5,494	1,011,075
Haiku Elementary	218,113	4,044	222,157	225,000	1,831	226,831
Hana High & Elementary	267,513	3,988	271,501	257,970	1,955	259,925
Iao Elementary	372,542	5,150	377,692	361,630	2,495	364,125
Kahului Elementary	717,203	8,601	725,804	715,838	4,310	720,148
Kamehameha III Elementary	654,822	8,867	663,689	680,408	4,489	684,897
Kaunakakai Elementary	200,166	4,177	204,343	208,879	2,122	211,001
Keanae Elementary	34,000	2,217	36,217	34,318	1,057	35,375
Kihei Elementary	390,817	6,179	396,996	412,955	2,851	415,806
Kilohana Elementary	73,807	2,735	76,542	76,776	1,379	78,155
Kualapuu Elementary	198,980	3,883	202,863	197,319	1,949	199,268
Kula Elementary	315,424	4,674	320,098	319,752	2,365	322,117
Lahainaluna High	490,681	6,641	497,322	510,377	3,184	513,561
Lanai High & Elementary	462,072	5,822	467,894	458,890	2,833	461,723
Lihikai Elementary	638,151	8,097	646,248	652,994	4,085	657,079
Makawao Elementary	418,644	5,948	424,592	403,952	3,073	407,025
Maui High	936,934	10,939	947,873	945,681	5,550	951,231
Maunaloa Elementary	80,744	2,784	83,528	77,468	1,361	78,829
Molokai High & Intermediate	446,366	6,704	453,070	470,103	3,264	473,367
Paia Elementary	176,090	3,169	179,259	154,461	1,610	156,071
Pukalani Elementary	216,374	4,422	220,796	226,703	2,181	228,884
Puunene Elementary	109,496	2,504	112,000	77,492	1,206	78,698
Wahee Elementary	205,691	3,946	209,637	205,498	1,898	207,396
Wailuku Elementary	610,331	7,369	617,700	553,075	3,579	556,654
District School Level Expenditures	-	-	-	24,945	-	24,945
District Office - Maui	-	-	-	19,345	-	19,345
Total Maui District	9,245,333	133,617	9,378,950	9,277,410	66,121	9,343,531
Kauai District -						
Eleele Elementary	275,218	4,016	279,234	238,216	2,039	240,255
Hanalei Elementary	82,499	2,833	85,332	92,022	1,424	93,446
Kalaheo Elementary	288,372	4,520	292,892	296,091	2,253	298,344
Kapaa Elementary	616,911	8,034	624,945	611,492	3,923	615,415
Kapaa High & Intermediate	842,348	9,637	851,985	824,871	4,783	829,654
Kauai High & Intermediate	994,391	10,624	1,005,015	981,603	5,247	986,850
Kaunakani Elementary	122,736	2,798	125,534	109,709	1,392	111,101
Kekaha Elementary	220,646	4,345	224,991	232,312	2,201	234,513
Kilauea Elementary	71,320	2,539	73,859	71,975	1,271	73,246
Koloa Elementary	381,530	5,178	386,708	343,647	2,652	346,299
Niihau Elementary	46,079	2,420	48,499	47,412	1,203	48,615
Waimea Elementary	400,101	5,612	405,713	451,152	2,807	453,959
Subtotal carried forward	4,342,151	62,556	4,404,707	4,300,502	31,195	4,331,697

SCHEDULE I
(Cont'd)

STATE OF HAWAII
DEPARTMENT OF EDUCATION

Schedule of Appropriations, Expenditures and Encumbrances School-by-School
For the Year Ended June 30, 1978

SCHOOL	FISCAL YEAR 1977-1978 APPROPRIATION			FISCAL YEAR 1977-1978 EXPENDITURES AND ENCUMBRANCES		
	Basic Needs	Special Needs	Total	Basic Needs	Special Needs	Total
Subtotal brought forward	\$ 4,342,151	\$ 62,556	\$ 4,404,707	\$ 4,300,502	\$ 31,195	\$ 4,331,697
Waimea High & Intermediate	705,606	7,215	712,821	657,779	3,645	661,424
Wilcox Elementary	594,774	7,201	601,975	603,265	3,685	606,950
District School Level Expenditures	-	-	-	14,638	-	14,638
District Reserve	-	-	-	14,929	-	14,929
District Office - Kauai	-	-	-	18,909	-	18,909
Total Kauai District	5,642,531	76,972	5,719,503	5,610,022	38,525	5,648,547
Total All Schools	121,714,837	1,595,864	123,310,701	124,004,248	789,766	124,794,014
District and State-Wide Spending	-	-	1,751,167	-	-	2,084,759
Total	\$121,714,837	\$1,595,864	\$123,061,868(1)	\$124,004,248	\$789,766	\$126,878,773(2)

(1) Total appropriations reflected in Schedule I were provided for in Act 10, SLH 1977 from the following sources:

General Fund	\$108,909,513
Federal Funds	13,152,355
Federal Revenue Sharing Funds	3,000,000
Total appropriations	\$125,061,868

(2) The following reconciles expenditures and encumbrances shown in Schedule I to expenditures and encumbrances for the General and Special Revenue Funds as reflected in the accompanying statements of appropriations, allotments, expenditures and encumbrances:

Program	Expenditures and Encumbrances per Statements of Appropriations, Allotments, Expenditures and Encumbrances		Page Reference
	Expenditures for prior years and other programs	Amount	
General Fund	\$ 870,697	\$107,114,757	37
Federal Funds	-	17,634,713	42
Federal Revenue Sharing Funds	142,865	3,142,865	44
	\$126,878,773	\$127,892,335	

(a) Expenditures and encumbrances exceed the appropriated amount of \$13,152,355 since actual Federal Funds and transfers received totaled \$17,658,663.

PART III

RESPONSE OF THE AFFECTED AGENCY

COMMENTS ON AGENCY RESPONSE

A preliminary draft of this report was transmitted on October 25, 1979 to the governor, the presiding officers of the legislature, the chairman of the board of education, and the superintendent of the department of education. We asked the superintendent to comment on the recommendations contained in the report, including the actions that have been taken or will be taken on the recommendations.

A copy of the transmittal letter to the superintendent is included in this part as attachment 1. The response received from the superintendent is included as attachment 2.

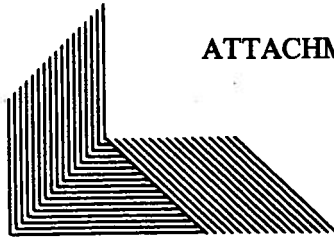
Comments on the Response

The state superintendent of the department of education concurs with almost all of the audit recommendations and has outlined the specific steps that have been taken or will be taken to correct the deficiencies identified in the audit report.

One recommendation with which the department does not concur is our recommendation that prenumbered remittance advice forms be issued and be accounted for by the department's office of business services. The position of the department is that the individual schools should be responsible for numbering and accounting for remittance advices. Inasmuch as the audit did find discrepancies in remittance advice forms prepared by the schools, we suggest that the office of business services assist the schools in procedures for the proper numbering and accounting of forms if the department intends to keep this responsibility at the school level.

ATTACHMENT 1

THE OFFICE OF THE AUDITOR
STATE OF HAWAII
485 S. KING STREET, RM. 500
HONOLULU, HAWAII 96813
(808) 548-2450



CLINTON T. TANIMURA
AUDITOR
RALPH W. KONDO
DEPUTY AUDITOR

October 25, 1979

C
O
P
Y

Mr. Charles Clark, Superintendent
Department of Education
State of Hawaii
Honolulu, Hawaii

Dear Mr. Clark:

Enclosed are four copies of our preliminary report, numbered 5 to 8, of the *Financial Audit of the Department of Education*. This preliminary report has also been transmitted to the Governor, the presiding officers of the Legislature, and the Chairman of the Board of Education.

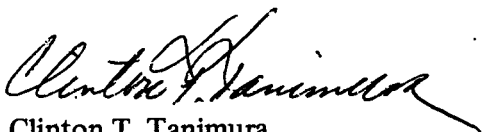
The report contains a number of recommendations affecting your department. We would appreciate receiving your comments on these recommendations, including the actions that have been taken or will be taken with respect to the recommendations. Please submit your comments to us by November 16, 1979. Your comments will be included as part of the final report.

Since the report is not in final form and changes may possibly be made to it, access to this report should be restricted solely to those officials of your organization whom you might wish to call upon to assist you in your response. We request that you exercise controls over access to the report and ensure that the report will not be reproduced. Should you require additional copies, please contact our office. Public release of the report will be made solely by our office and only after the report is published in its final form.

If you wish to discuss the report with us, we will be pleased to meet with you, at our office, on or before November 9, 1979. Please call our office for an appointment. If we do not hear from you, we will assume that a meeting is not necessary.

We appreciate the assistance and cooperation extended to us during the examination.

Sincerely,


Clinton T. Tanimura
Legislative Auditor

Enclosures

ATTACHMENT 2

GEORGE R. ARIYOSHI
GOVERNOR

CHARLES G. CLARK
SUPERINTENDENT



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P. O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 13, 1979

RECEIVED

Nov 16 9 07 AM '79

OFFICE OF THE AUDITOR
STATE OF HAWAII

Mr. Clinton Tanimura
Legislative Auditor
State of Hawaii
465 S. King Street
Honolulu, Hawaii 96813

Dear Mr. Tanimura:

Thank you for giving us the opportunity to review your preliminary report of the Financial Audit of the Department of Education. We find the audit report, as another tool to use in our constant effort to improve our operations in the Department of Education.

As requested, we have commented on the recommendations, including the actions which have been taken or will be taken with respect to the recommendations.

Sincerely,

A handwritten signature in cursive script, reading "Charles G. Clark", is written over the typed name and title.

CHARLES G. CLARK
Superintendent

Attachment

cc: Governor, State of Hawaii
President of the Senate
Speaker of the House
Chairman, Board of Education

1. Expenditures Exceeding Allotments

a. Inadequate maintenance of expenditure records.

Recommendation:

Recommend that schools maintain adequate expenditure records and reconcile these records on a monthly basis with the status reports prepared by the Business Office.

b. Inadequate monitoring and supervision over school expenditures.

Recommendation:

- 1) Recommend that DOE conduct in-service training sessions and workshops in order to provide schools and district personnel with the skills and technical knowledge required to properly maintain school expenditure records.
- 2) Recommend that district offices more closely supervise and monitor expenditure record keeping by the schools and provide technical assistance as schools may require in maintaining their records.

Action:

In order to correct the problems cited above, the following steps will be taken:

- a. The Office of Business Services staff will provide necessary in-service training to school and district staff to maintain their allotment records, in accordance with procedures described in Business Office Handbook, Vol. I, Section V.
- b. The district business staff will be instructed to closely monitor the schools' expenditure reports and provide technical assistance to the schools, as necessary.

2. Non-Compliance with Budget Provision

Recommendation:

Recommend that DOE examine the unexpended Special Fund balance of the School Food Services program and lapse such amount as is considered appropriate to the General Fund at the end of each fiscal year.

Action:

DOE has corrected this problem, as evidenced by subsequent actions taken on similar cases. FY 1979 unused Special Funds of \$70,149.86 in the School Food Services program were transferred to the State Treasury on October 31, 1979. In addition, Driver Education Special Funds for the following periods were also transferred to the State Treasury:

FY 1978 - \$106,540 on November 2, 1978
FY 1979 - \$ 70,149.86 on October 31, 1979

3. Trust Fund Deficiencies

a. Donor and purpose of gifts unknown.

Recommendation:

Recommend that gift trust administrators maintain complete records of trust receipts by donor and inform the State Office when the purpose for which trust accounts were established have been fulfilled. In addition, recommend that DOE request a ruling from the Attorney General on the disposition of those trust accounts where the purposes for which the monies may be used are not known and where the initial trust purposes have terminated.

Action:

DOE agrees with the above recommendation and will take action to ensure that trust fund administrators maintain proper records and close out accounts after the purpose is completed. Trust fund accounts with no transactions for a period of 6 months will be checked with the schools and districts by Office of Business Services every July. A request for an opinion was submitted to the Attorney General on the disposition of trust accounts of unknown origin or when the purposes were completed.

b. Inadequate and incomplete accounting of athletic trust receipts.

Recommendation:

Recommend that school personnel maintain adequate records to account for athletic gate receipts and student activity book sales. All athletic receipts should be deposited in the State Treasury and all purchases of athletic goods and services should be made in accordance with the normal procurement process.

Action:

DOE will send out a reminder to all high schools of the need to account for and deposit all athletic funds into the State Treasury, as described in Business Office Handbook, Vol. I, Section X.

c. Improper maintenance of trust account.

Recommendation:

Recommend that DOE immediately deposit in the General Fund the sum of \$4,450 improperly held in trust and necessary steps be taken to insure compliance with H.R.S., Section 41-4, relating to insurance of state property, personnel and operations.

Action:

DOE initiated action to deposit the sum of \$4,450 into the State General Fund.

4. Loss of Federal Funds

Recommendation:

Recommend that DOE program administrators review the monthly status reports of federal grants and automatically revise projected activity plans for all federal grants with expiring unobligated balances.

Action:

DOE will provide in-service training to federal program administrators on proper allotment review and control procedures to prevent lapsing of significant fund balances.

5. Non-Implementation of previous Audits' Recommendations

a. Misuse of blanket purchasing authority.

Recommendation:

Recommend that the DOE require to cancel blanket purchase orders at the end of each fiscal quarter.

Action:

DOE has instituted canceling of blanket purchase orders 32 days after the end of the quarter in accordance with Business Office Handbook, Vol. I, Section IV.

b. Inadequate documentation of price solicitation.

Recommendation:

Recommend that DOE require to document all informed price quotations.

Action:

DOE will send out reminders to the schools to document informal price quotations for purchases less than \$4,000, in accordance with the provisions of the Business Office Handbook, Vol. I, Section IV.

c. Failure to maintain adequate controls over purchase orders.

Recommendation:

Recommend that DOE require to account for all purchase orders and filing them in numerical sequence with all other purchase orders. In addition, the issuance of purchase order numbers without the subsequent preparation of the purchase order should be discontinued, except in cases of emergencies.

Action:

DOE agrees that all voided purchase orders should be filed properly, in accordance with the provision of Business Office Handbook, Vol. I, Section V.

DOE also agrees that confirming purchases should be restricted to emergencies only, as prescribed in Business Office Handbook, Vol. I, Sections IV and V. Reminders will be sent to all schools, district and state offices and public libraries.

d. Delays in transmitting invoices.

Recommendation:

Recommend that DOE require to transmit vendors' invoices to the Vouchering Section within the time specified by policy.

Action:

DOE has been striving to improve its efforts to pay the vendor's invoices promptly. As a result, it instituted several measures. They are:

- 1) Established a system for the districts to review the schools' purchase order and invoice file to determine if the schools were processing the invoices promptly and to report the results to the Office of Business Services. This review system improved the situation to a certain extent and will be continued.
- 2) Reduced the invoice processing time in the Business Office Handbook from 5 to 3 working days, to expedite the invoice processing. This is a departmental measure and is not required by other state agencies. This change also resulted in some improvements.
- 3) The Office of Business Services improved its vouchering of invoices through the computer from twice a week to a daily (5 times per week) process. In addition, the vouchering of old and new fiscal year processing was streamlined to eliminate any hold up. These actions further improved the processing.

As a result of the above measures, the overall processing of vendors' claims improved significantly. The State Comptroller (DAGS) uses a 30-day processing period for vendor payments, as a satisfactory measurement. DAGS conducted two surveys of all documents processed for a two-week period in August 1978 and February 1979. In both surveys, DOE processed 96% of the invoices within four weeks (20 working days), surpassing most of the large state agencies. In addition, 84% and 80% of documents were processed within 2 weeks (10 working days) during the same survey.

DOE will continue its efforts to reduce the invoice processing time by working with districts and schools to eliminate problems and further streamline procedures.

e. Improper processing of overtime claims and attendance reports.

1) Overtime claims

Recommendation:

Recommend that DOE ensure that schools transmit overtime claims to their respective district offices by having district personnel monitor these schools who fail to submit these claims.

Action:

To ensure adequate control, all claims for overtime payment are checked against the approved Request for Overtime (Form BP-2) by the Payroll Section to ensure that the hours and the dates are properly authorized. Accordingly, it is not necessary for the district offices to maintain control.

2) Attendance reports

Recommendation:

Recommend that DOE enforce its policy that schools and offices maintain daily attendance records for all employees.

Action:

DOE agrees that attendance information is necessary for payroll purposes; therefore, such information should be used. DOE will develop the necessary forms which can be used to satisfy this requirement and, at the same time, be in compliance with the teacher union contract, which states that a teacher may be only required to check in by initialing, to indicate presence.

Lack of controls over revenue collections.

1) Failure to comply with deposit and transmittal schedules.

Recommendation:

Recommend that DOE establish controls to ensure that cash receipts are in fact transmitted to the Business Office in accordance with the transmittal schedule and instruct the Business Office to monitor those schools which fail to transmit funds within the time allotted.

Action:

DOE has a checklist of all schools with school lunch collections, which constitutes the bulk of the receipts, by week. If a school fails to submit receipts within the prescribed period, the Office of Business Services contacts the school and the district concerned to remind and ascertain the cause of the delay so that future delays would be corrected. In addition, Office of Business Services will institute a procedure requiring copies of deposit slips be attached to the related remittance advice, when the checks are submitted.

2) Lack of control over numerical issuance of remittance advices

Recommendation:

Recommend that DOE issue prenumbered remittance advice forms to the schools and instruct the Business Office to assume responsibility for accounting for the numerical issuance of remittance advices.

Action:

DOE does not concur with the recommendation, because the present system provides reasonable control over the accountability of the remittance advices. When the school sends the checks with its own numbered remittance advice, the school retains a suspense copy of the remittance advice. The Office of Business Services returns a copy of the remittance advice to the school, when the checks are deposited with the Director of Finance. The assignment of numbers to the remittance advice and the accountability of the numbers by the Office of Business Services will cause additional workload and man-hours without any attendant benefits.

